

**New Ukraine PE Holding
Limited**

Condensed consolidated financial
statements for the six months ended
30 June 2022

*These condensed consolidated interim financial statements contain 40
pages*

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Officers and Professional Advisors

Board of Directors Olha 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 Holding Limited (the "Company") presents to the members its management report together with the condensed consolidated interim financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the six months ended 30 June 2022.

INCORPORATION

New Ukraine PE Holding Limited (the "Group") was incorporated in Cyprus on 26 July 2016 as a private limited liability Group 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 six months ended 30 June 2022 are set out on page 10 to the condensed consolidated financial statements. The net loss for the 6 months ended 30 June attributable to the owners of the Group amounted to USD 67,517 thousand (6m2021: profit of USD 2,584 thousand).

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

The current financial position as presented in the condensed consolidated financial statements is considered satisfactory.

DIVIDENDS

During the six months ended 30 June 2022 no dividends 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 16 to the condensed 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 16.

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 six months ended 30 June 2022.

BRANCHES

During the six months ended 30 June 2022 the Company did not operate any branches.

BOARD OF DIRECTORS

The member of the Company's Board of Directors as at 30 June 2022 and at the date of this report is presented on page 1. The sole Director was member of the Board throughout the year ended 30 June 2022 .

In accordance with the Company's Articles of Association the sole Director presently member 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 20 to the condensed consolidated financial statements.

RELATED PARTY TRANSACTIONS

Disclosed in Note 19 to the condensed consolidated financial statements.

By order of the Board of Directors,


Ledra Secretaries Limited
Secretary



Nicosia, 29 September 2022

New Ukraine PE Holding Limited
Condensed consolidated financial statements for the 6 months ended 30 June 2022-unaudited
Condensed consolidated statement of financial position as at 30 June 2022-unaudited

	<i>Note</i>	30 June 2022 unaudited	31 December 2021
<i>(in thousands of USD)</i>			
Assets			
Non-current assets			
Investment properties	5	115,700	194,700
Property and equipment and intangible assets		15	20
Total non-current assets		115,715	194,720
Current assets			
Cash and cash equivalents	6	13,324	11,678
Trade and other receivables		1,286	759
Refundable tax (tax receivable)		145	87
Prepayments		293	608
Inventories		15	18
Other current assets		99	67
Total current assets		15,162	13,217
Total assets		130,877	207,937

New Ukraine PE Holding Limited
Condensed consolidated financial statements for the 6 months ended 30 June 2022- unaudited
Condensed consolidated statement of financial position as at 30 June 2022 - unaudited (continued)

	Note	30 June 2022 unaudited	31 December 2021 (unaudited)
<i>(in thousands of USD)</i>			
Equity and Liabilities			
Equity			
Share capital		69	69
Share premium		64,449	64,449
Retained earnings		(35,755)	28,035
Currency translation reserve		2,617	6,344
Total equity		31,380	98,897
Non-current liabilities			
Loans and borrowings	9	27,661	27,629
Issued bonds	7	42,756	46,399
Deferred tax liability	15	13,159	21,069
Tenants' security deposits	10	1,285	1,705
Total non-current liabilities		84,861	96,802
Current liabilities			
Payables from derivatives	8	4,897	2,220
Loans and borrowings	9	6,128	5,883
Issued bonds	7	670	591
Trade and other payables		276	731
Tenants' security deposits	10	1,177	910
Prepayments received		576	934
Income tax payable		366	482
Other taxes payable		546	487
Total current liabilities		14,636	12,238
Total liabilities		99,497	109,040
Total equity and liabilities		130,877	207,937

On 29 September 2022 the sole Director of New Ukraine PE Holding Limited approved and authorised these consolidated financial statements for issue.


 Olha Turyk

	Note	6m2022 unaudited	6m2021 (unaudited)
<i>(in thousands of USD)</i>			
Revenue	11	8,737	12,701
Cost of sales	12	(2,156)	(2,267)
Gross profit		6,581	10,434
General and administrative expenses		(449)	(825)
Sales and distribution expenses		(17)	(16)
Fair value gain on investment properties	5	(66,318)	(3,061)
Other income (expenses), net		251	(33)
Total operating profit		(59,952)	6,499
Fair value change on derivatives	8	(2,678)	(945)
Interest income – derivatives		1,327	-
Interest expenses – derivatives		(1,636)	-
Finance costs	13	(7,029)	(2,388)
Finance income	14	322	3,050
Profit for the period		69,646	6,216
Income tax benefit (expense)	15	5,856	(444)
Net profit for the period		(63,790)	5,772
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss:</i>			
Foreign operations – foreign currency transaction difference		(3,727)	(3,188)
Other comprehensive income/(loss)		(3,727)	2,584
Total comprehensive income/(loss) for the period		(67,517)	2,584

New Ukraine PE Holding Limited

Condensed consolidated financial statements for the 6 months ended 30 June 2022 - unaudited

Condensed consolidated statement of changes in equity for the 6 months ended 30 June 2022 - unaudited

	Note	Share capital	Share premium	Retained earnings	Currency translation reserve	Total equity
<i>(in thousands of USD)</i>						
Balances at 1 January 2022		<u>69</u>	<u>64,449</u>	<u>28,035</u>	<u>6,344</u>	<u>98,897</u>
Net profit for the period		-	-	(63,790)	-	(63,790)
Other comprehensive loss				-	(3,727)	(3,727)
Total comprehensive loss for the period		-	-	(35,755)	(3,727)	(31,380)
Balances at 30 June 2022		<u>69</u>	<u>64,449</u>	<u>(35,755)</u>	<u>2,617</u>	<u>(31,380)</u>
Balances at 1 January 2020		<u>69</u>	<u>64,449</u>	<u>25,268</u>	<u>3,049</u>	<u>92,835</u>
Net profit for the period		-	-	5,772	-	5,772
Other comprehensive loss					(3,188)	(3,188)
Total comprehensive loss for the period		-	-	5,772	(3,727)	2,584
Balances at 30 June 2021		<u>69</u>	<u>64,449</u>	<u>31,040</u>	<u>(139)</u>	<u>95,419</u>

New Ukraine PE Holding Limited
Consolidated financial statements as at and for the 6 months ended 30 June 2022 - unaudited
Consolidated statement of cash flows for the 6 months ended 30 June 2022 - unaudited

	Note	6m2022	6m2021
<i>(in thousands of USD)</i>			
Cash flows from operating activities			
Profit for the period		(63,790)	5,772
Adjustments for:			
Net gain from financial assets at fair value through profit or loss		66,318	3,061
Finance costs	13	7,029	2,388
Fair value change on derivatives		2,678	945
Depreciation		8	54
Financial income		322	2,388
Tax expense	15	(5,856)	444
Operating cash flows before changes in working capital		6,709	15,052
Change in trade and other payables		(429)	533
Change in trade and other accounts receivable		(579)	43
Change in prepayments		277	194
Change in tax payable and tax receivable		(49)	(18)
Change in inventories		-	(1)
Change in other current assets		-	(21)
Change in tenants' deposits		23	421
Change in prepayments received		(299)	187
Income tax paid		(561)	(1,040)
Cash flows from operating activities		5,092	15,350
Cash flows used in investing activities			
Capital improvements of investment properties	5	(405)	(3,061)
Acquisition of property, plant and equipment		(3)	(66)
Cash flows used in investing activities		(408)	(3,127)
Cash flows from financing activities			
Proceeds from bonds' issue	7		16,404
Coupon on bonds paid		(1,327)	(965)
Loans and borrowings repaid	9	(994)	(2,200)
Interest expense on loans and borrowings paid	9		(1,183)
Dividends paid			
Cash flows used in financing activities		(2,321)	12,056
Net change in cash and cash equivalents		2,363	24,279
Cash and cash equivalents at the beginning of the year		11,678	8,525
Effect of foreign exchange fluctuation on cash balances		(717)	(5,632)
Cash and cash equivalents at 30 June		13,324	27,172

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 16 Iouniou 1943, 9 Area A, Flat/Office 202, 3022, Limassol, Cyprus and its principal place of business is Ukraine.

As at 31 December 2020 the shareholders of New Ukraine PE Holding Limited (Cyprus) were Dragon Capital Investments Limited (Cyprus) with 21.96% ownership, 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.

The shareholders of New Ukraine PE Holding Limited (Cyprus) as at 30 June 2022 were Dragon Capital Investments Limited (Cyprus) with 21.95% ownership, Dragon Capital New Ukraine Fund (Jersey) with 35.85% ownership, Sky Mundi S.À.R.L. (a shareholder not related to other shareholders, except for West Street EMS Partners) with 39.64% ownership and West Street EMS Partners (a shareholder related to Sky Mundi S.À.R.L.) with 2.55%.

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 activity of the Company is real estate sector in Ukraine.

These condensed consolidated financial statements include the financial statements of Parent and its Subsidiaries (hereinafter the “Group”). The structure of the Group and the principal activities of the companies forming the Group are as follows:

Name of the Group	Principal Activities	Country of registration	Project	<u>Effective ownership interest</u>	
				30 June 2022	30 June 2021
New Ukraine PE Holding Limited	Holding Group	Cyprus			
NUPEH CZ s. r. o.	Financing Group	Czech Republic	-	100.00%	100.00%
Atlantic-Pacific Ventures LLC	Real estate Group	Ukraine	Piramida	100.00%	100.00%
1849-Apollo Overseas I Limited*	Subholding Group	Cyprus	Piramida	100.00%	100.00%
East Gate Logistik LLC	Real estate Group	Ukraine	East Gate	100.00%	100.00%
Turcosa Investments Limited*	Subholding Group	Cyprus	East Gate	100.00%	100.00%
AICEE II Finance Cyprus Limited*	Subholding Group	Cyprus	East Gate	100.00%	100.00%
EGL Holding Limited*	Subholding Group	Cyprus	East Gate	100.00%	100.00%
West Gate Logistic LLC	Real estate Group	Ukraine	West Gate	100.00%	100.00%
GLD Logistik Park Holding Limited*	Subholding Group	Cyprus	West Gate	100.00%	100.00%
SZ Harbour Finance Limited*	Subholding Group	Cyprus	West Gate	100.00%	100.00%
Property Management Solutions One LLC	Real estate Group	Ukraine	PMS One	100.00%	100.00%
Orbelsan Holding Limited*	Subholding Group	Cyprus	PMS One	100.00%	100.00%
Property Management Solutions Two LLC	Real estate Group	Ukraine	PMS Two	100.00%	100.00%
Glanston Holdings Limited*	Subholding Group	Cyprus	PMS Two	100.00%	100.00%
Property Management Services LLC	Services Group	Ukraine	PMS	100.00%	100.00%
Mevalor Enterprises Limited*	Subholding Group	Cyprus	PMS	100.00%	100.00%

*As at 31 December 2021 there were Board resolutions whereby it was decided to voluntarily liquidate

the Cyprus subsidiaries.

As at 30 June 2022, the Subsidiaries of the Group are represented by the following projects:

- Piramida: shopping center with the gross leasing area equal to 15,935 square meters (effectively 20,317, following the reconstruction is finished);
- East Gate Logistic: A-class warehouse with the gross leasing area equal to 49,029 square meters;
- West Gate Logistic: A-class warehouse with the gross leasing area equal to 7,316 square meters and associated land plot of 15 ha.;
- Property Management Solutions One: A-class business center Eurasia with the gross leasing area equal to 27,854 square meters; and
- Property Management Solutions Two: A-class business center Prime with the gross leasing area equal to 8,761 square meters and associated land plot of 0.15 ha .

As at 31 December 2021, the Subsidiaries of the Group are represented by the following projects:

- Piramida project: shopping center with the gross leasing area equal to 15,948 sq. m.;
- East Gate Logistic project: A-class warehouse with the gross leasing area equal to 49,028 sq. m.;
- West Gate Logistic project: A-class warehouse with the gross leasing area equal to 96,223 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 27,841 sq. m.;
- Property Management Solutions Two (“PMS Two”): A-class business center “Prime” with the gross leasing area of 8,761 sq. m. and associated land plot of 0.15 ha.

NUPEH CZ s. r. o. 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 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.

2. Operating environment of the Group

(a) Ukrainian business environment

The Group’s operations are located in Ukraine.

Russia began its unprovoked military invasion of Ukraine on February 24, 2022, triggering a large-scale war that is still ongoing but has been contained by Ukrainian forces to the eastern and southern regions. Russian forces initially occupied large territories in northern, eastern and southern Ukraine in the first month of the war, laying siege to the capital Kyiv. The Ukrainian army then launched a successful counteroffensive, pushing Russian troops from Kyiv in late March and liberating the rest of occupied northern regions in April. After stopping a new Russian offensive on the eastern Donbas front during the summer, Ukrainian forces went on to counterattack in the southern Kherson region and northeastern Kharkiv region in September, and were gradually advancing there as this report was published. The rest of the more than 1,000-kilometer frontline of fighting remained largely static, being characteristic of a war of attrition.

As of early September, Russia controlled around 20% of Ukrainian territory (including 2014-annexed Crimea and part of Donbas held by Russian proxies before the war), having fully occupied only one region, Luhansk province in the east, and made practically no territorial gains since June. The five other regions partially occupied by Russia include Kharkiv, Donetsk, Zaporizhzhya, Kherson, and Mykolayiv. Those six provinces generated 20% of Ukraine’s pre-war GDP. The remaining 18 regions remain fully

under the Ukrainian government's control but are subject to regular Russian missile strikes against civilian and military infrastructure (yet their intensity has diminished in the past several months).

Western governments and IFIs have provided massive financial and military aid to Ukraine to help the government keep the economy functioning while repulsing the Russian aggression. The United States alone has provided close to \$13bn in security assistance for Ukraine since the start of the war. Western budget support commitments for Ukraine currently stand at around \$36 billion, led by the United States and the EU with \$14 billion and EUR 11 billion, respectively. Of this total, \$17 billion was disbursed as of early September.

The Russian invasion caused a sharp downturn in economic activity, triggering a decline in real GDP of 15.1% y-o-y in 1Q22, mainly due to a sharp fall in March when military hostilities were going on in 10 regions and near Kyiv. The economy turned on an upward trend in April as a result of the liberation of northern regions and adjustment of local businesses to the new environment. The upturn in economic activity was supported by budget spending as the government continued to pay pensions and salaries to employees in budget-financed sectors (healthcare, education), provided some additional social assistance to displaced people, and sharply increased compensations to military personnel, emergency workers, national police and other security and defense professionals. Despite this, the economy slumped by 37.2% y-o-y in 2Q22, reflecting the ongoing Russian occupation, widespread damage to production facilities and infrastructure, outflows of refugees, and logistical bottlenecks.

After the start of the full-scale invasion, consumer demand declined remarkably with a focus on food, medicine, and everyday goods. As of the end of June ca.90-95% of tenants in shopping malls opened for visitors in Kyiv and other safer regions operating in compliance with security instructions from the government. After the liberation of the Kyiv region at the beginning of April, the footfall dynamics in Kyiv shopping centers and other safer regions recovered promptly demonstrating a -10%-25% y-o-y drop in June after the drop of ca. 70%-85% y-o-y in March. In shopping malls of central and western Ukraine, the footfall mostly reached the last year figures or posted a minor drop of -5-10% y-o-y as of the end of June 2022 and recovered from -30-40% in March 2022. In the absence of official statistics, the official data for retail turnover for the wartime period is currently unavailable. However, the key food retailers in Kyiv reported a ca. 60% y-o-y drop in sales in March rebounding to ca. -10% y-o-y in June. In other safer regions, the estimated drop was ca. 10-20% in March, almost reaching last year figures by the end of June. Lease terms for the wartime period were negotiated with every tenant individually. The most common cases were temporary negotiated terms like the payment of turnover rent, OPEX, and utility reimbursement. Since March, rental rates were steadily recovering reflecting sequential growth in retail turnover, and currently represent 60-80% of pre-war levels, depending on the retail category. However, further recovery will depend on the intensity of Russian airstrikes on civilian targets, limiting the working hours of shopping malls, possessing reopening risks for key international retailers as well as the risks of further devaluation and a decline in consumers' disposable income.

Office market was supported by the general improvement in the military situation in Kyiv in 2Q 2022. After the liberation of the Kyiv region at the beginning of April and the announced return of the embassies of a large number of countries to the capital, there was a certain revival of business activity in the market. Some tenants resume operations in Kyiv, while others were cautiously considering ways to reopen offices later in the year considering the security situation dynamics. Large international occupiers predominantly adopted the wait-and-see approach, paying full or partial rent. Small-scale local companies reduce the occupied space or move to smaller spaces into less expensive lower quality business centers, often asking for short-term leases. Thus far, leasing activity remained subdued and was primarily driven by office optimization, as well as lease renegotiations or renewals. Total office stock in Kyiv remained unchanged at 2.1 mln sqm with no new additions or severe damages during 2Q. Office tenants and property owners continued to negotiate the lease terms on an individual basis taking into account the tenant's industry, location of office buildings, and financial ability to meet lease obligations during martial law. While most tenants cover the utilities and OPEX in professional office buildings, the base rent discounts for some tenants may reach 70-100% for the wartime period. At the same time, with the improving security situation in the capital, the discounts gradually become smaller depending on all those factors.

Warehouse market displayed solid occupier demand notwithstanding the wartime conditions. Due to the massive attack of Russian aggressor on storage hubs in March 2022, ca. 21% of total warehouse stock in the Kyiv region were destroyed, according to CBRE Ukraine. After the liberation of the Kyiv region in

2Q 2022 security situation improved remarkably and Kyiv gradually restored the status of the main logistics hub in Ukraine. Additionally, some tenants targeting to differentiate risks consider moving their warehouse hubs partly or fully to the western regions of Ukraine. At the same time, losing part of Kyiv stock due to damages in 1Q on the back of strong demand from tenants created a deficit of quality warehouse space in the mid and long run. Presently, the vacancies and rental rates in the logistics real estate market remain stable. At the same time, the risks of UAH depreciation remained the main factor affecting the USD-denominated rental revenue for the UAH-based leases, which are more widespread on the market.

The Ukrainian subsidiaries have also been working with the tenants and suppliers to ensure a smoother impact of warfare on operations, as well as to negotiate the terms of continuing cooperation. The Parent Company has taken necessary steps to manage its financial obligations. It received the consent of JT Banka, the lender of the Parent Company's own loan facility of \$40 million to defer payment of the March debt service (interest payment in the amount of USD 510 thousand is postponed to September 2022 and payment of principal in the amount of USD 1,200 thousand is postponed till maturity date which is 31 December 2025) and June debt service (interest payment in the amount of USD 570 thousand is postponed to September 2022 and payment of principal in the amount of USD 1,200 thousand is postponed till maturity date which is 31 December 2025). The aim of debt service postponement was to ensure the Parent Company's ability for repayment to NUPEH CZ and its subsequent coupon payment to the bondholders.

Management believes that actions taken and management future plans including variable scenarios support the sustainability of the Group's business, which mitigate the level of uncertainty to the level where management may conclude that the Group is a going concern.

However, further prolongation of military activities may result in disruption of the daily operating activities of the Group's investments, or significant damage to the Group's assets. In addition, the future business environment may differ from management's assessment.

With regard to the destroyed building of the West Gate Logistics warehouse, the owner company initiated a criminal case and registered the damages on the special website <https://damaged.in.ua/> that was launched jointly with the Office of the President and the Ministry of Economy of Ukraine to collect information about damaged objects during the war started by Russia against Ukraine. Also, the owner company received the report. Experts from the State Research Institute of Building Structures issued the report on the assessment of the technical and operational condition of the West Gate Logistics warehouse, which included a description of the degree and nature of damage to the facility. The facility was assessed as emergency and it is recommended to carry out works related to the dismantling (liquidation) of the facility. Also, the Company ordered a complex examination (construction and technical, commodity, investigation of traces of weapons, missile traces and situational circumstances of the shot and explosives, etc.) of West Gate Logistics warehouse, which is currently being carried out by experts of the Kyiv Scientific Research Institute of Forensic Expertise (under Ministry of Justice of Ukraine). This information may be later used as the evidence in Ukrainian and/or international courts or via other procedures to compensate damages. The Ukrainian government has not yet established the explicit legal mechanisms for compensating losses incurred by businesses that were targeted by Russian military attacks. However, officials are actively working on developing such mechanisms.

These condensed consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary if the Group was unable to continue as a going concern.

(b) Implications of COVID-19

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Most governments around the world took increasingly stringent steps to stem the spread of the virus, including: requiring self-isolation/ quarantine, social distancing and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures are gradually being lifted in many jurisdictions but the uncertainties remain as the pandemic still evolves.

Due to specifics of the Company's operations, the COVID-19 pandemic did not have significant impact on the business activities of the Company during the six months ended 30 June 2022.

Based on assessment of the Company's management as at the date of preparation of the financial statements, the above situation has no impact on the Company's ability to continue as a going concern.

3. Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with standard IAS 34 „Interim Financial Reporting“ as amended and adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. Selected explanatory notes are stated in order to explain events and transactions, which are significant for the better comprehension of changes of the financial situation and the performance of the Company since the last Annual report as at 31. December 2021 and for the year ended 31 December 2021. These condensed interim financial statements does not include all of the information required for the Annual report compiled in accordance with the International Financial Reporting Standards (“IFRS”).

The financial results of the period of six months ended 30 June 2022, may not necessarily reflect the situation and the results expected for the year end.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements.

The financial statements have been prepared on a going concern basis.

(b) Basis of measurement

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

Items	Measurement
Investment properties	Fair value
Derivatives	Fair value

(c) Functional and presentation currency

These condensed consolidated financial statements are presented in thousands of US dollars (USD), which is the Group's functional currency as well as the functional currency of NUPEH CZ s. r. o. the Group's Subsidiary and the functional currency of the Ukrainian subsidiaries is the Ukrainian hryvnia (“UAH”). For the benefit of principal users, management chose to present these condensed consolidated financial statements in US Dollars (“USD”). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

In translating these condensed consolidated financial statements into USD the Group follows a translation policy in accordance with International Financial Reporting Standard IAS 21 *The Effects of Changes in Foreign Exchange Rates* and the following rates are used:

- historical rates: for the equity accounts except for net profit or loss and other comprehensive income for the period;
- year-end rate: for all assets and liabilities;
- rates at the dates of transactions: for the statement of profit or loss and other comprehensive income.

UAH is not a freely convertible currency outside Ukraine, and, accordingly, any conversion of UAH amounts into USD should not be construed as a representation that UAH amounts have been, could be,

or will be in the future, convertible into USD at the exchange rate shown, or any other exchange rate.

The principal UAH exchange rates used in the preparation of these condensed consolidated financial statements are as follows:

	As at 30 June 2022	Average exchange rate for 6m2022	As at 30 June 2021	Average exchange rate For 6m2021
USD	29.25	28.91	27.18	27.78

(e) Use of judgments, estimates and assumptions

The preparation of consolidated 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 recognised in these condensed consolidated financial statements and could lead to significant adjustment in the next financial year are included in the following notes:

- Note 5(b) – determination of fair value of investment property:
- Note 4(j) – determination of lease payments on leases with municipal authorities.

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 recognised professional qualification and recent experience in the location and categories of the assets being valued.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized 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 5 (b) – Determination of fair value of investment property; and
- Note 16 (e(iii)) – Fair values.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements.

(a) Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(b) Foreign currency

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

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

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

receivable.

(c) Financial instruments

(i) Recognition, initial measurement and derecognition

Trade receivables are initially recognised when they are originated.

All other financial assets and financial liabilities are initially recognised 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 recognised 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 recognised 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 recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised 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 recognised 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 (including bonds), 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.

(d) Investment properties

Investment properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Investment properties principally comprise investment properties held for rental income earning.

(i) Initial measurement and recognition

Investment property is measured initially at cost, including related acquisition costs. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

If the Group uses part of the property for its own use, and part to earn rentals or for capital appreciation, and the portions can be sold or leased out separately, they are accounted for separately. Therefore, the part that is rented out is investment property. If the portions cannot be sold or leased out separately, the property is investment property only if the Group-occupied portion is insignificant.

(ii) Subsequent measurement

Subsequent to initial recognition investment property is stated at fair value. Any gain or loss arising from a change in fair value is included in profit or loss in the period in which it arises.

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured at fair value, and is not reclassified to property, plant and equipment during the redevelopment.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment property is derecognised on disposal or when they are permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss in profit or loss.

To determine the fair value of investment property as at 30 June 2022 and 30 June 2021 management decided to apply the income approach to valuation as used in CBRE 2021 Valuation corrected based on actual results for January-June 2022 NOI and management's view on market changes as of 30.06.2022 due to ongoing war in Ukraine.

(e) Share capital

Ordinary shares

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

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.

Retained earnings

Retained earnings include accumulated profits and losses incurred by the Group.

Currency translation reserve

Currency translation reserve comprises foreign currency differences arising from the translation of these condensed financial statements.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

(f) 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.

(g) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

(h) Provisions

A provision is recognised 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 recognised as finance cost.

(i) Revenue

Revenue of the Group is mainly represented by rental income recognised in accordance with IFRS 16 *Leases*. Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Revenue from provision of utilities and other services the Group has adopted IFRS 15 *Revenue from Contracts with Customers*.

The details of the significant accounting policies in relation to the Group's services are set out below.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms	Policy applicable
Provision of utilities and other services	Provision of utilities and other services represent payments by tenants for utilities and maintenance of common parts in shopping centre (e.g. cleaning, insurance, repairs, parking). Revenue is recognised over time as those services are provided. As the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's services provided to date, the Group uses practical expedient available in IFRS 15 and recognises revenue in the amount to which the Group has a right to invoice. Invoices for revenue from provision of utilities and other services are issued on a monthly basis and are usually payable within the month. Under IFRS 16, for a contract that contains a lease component and one or more additional lease or non-lease components, the consideration in the contract is allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The stand-alone selling price is determined based on contractually stated price that is defined separately for each obligation and reflects market prices for the similar services.	Revenue is recognised in profit or loss over time in the period when the services are provided, recovery of consideration is probable and when the amount of revenue can be measured reliably.

Compensation for utilities and other services relates to the transactions in which the Companies acts as a principal rather than as an agent. Management considered the following factors in distinguishing between an agent and a principal:

- the Subsidiary has responsibility for fulfilling the service to the customer;
- the Subsidiary can vary the selling prices set by the supplier by their own consideration.

(j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group

will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In accordance with IFRS 16 variable payments which do not depend on index or rate, e. g. which do not reflect changes in market rental rates, should not be included in the measurement of lease liability. In respect of municipal land leases where lease payments are based on cadastral value of the land plot and do not change until the next revision of that value or the applicable rates (or both) by the authorities, the Group has determined that, under the current revision mechanism, the land lease payments cannot be considered as either variable that depend on index or rate or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

No lease liability or right-of-use asset was recognised as at 30 June 2022 and 31 December 2021.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group leases out its investment property. The Group has classified these leases as operating leases.

Payments received under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

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

(l) Dividend income

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

(m) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) New standards and interpretations not yet adopted

A number of new standards are effective for period of six months beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);*
- *Reference to Conceptual Framework (Amendments to IFRS 3);*
- *Amendments to IAS 1 - Classification of Liabilities as Current or Non-current;*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;*
- *Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)*
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)*
- *Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;*
- *Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (involving Amendments to IFRS 4 - Extension of the Temporary Exemption from*

Applying IFRS 9 issued in June 2020) ;

- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter; AIP (2018-2020 cycle);*
- *IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities; AIP (2018-2020 cycle);*
- *IAS 41 Agriculture – Taxation in Fair Value Measurements, AIP (2018-2020 cycle);*
- *Illustrative Examples accompanying IFRS 16 Leases – Lease Incentives , AIP (2018-2020 cycle);*
- *Amendments to IFRS 16 – Covid-19-related Rent Concessions beyond 30 June 2021*
- *Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

5. Investment properties

(a) Movements in investment properties

Movements in investment properties for the reporting period are as follows:

	Total
<i>(in thousands of USD)</i>	
At 1 January 2021	172,900
Capital improvements	5,662
Fair value gain on investment properties	9,634
Effect from translation into presentation currency	6,504
At 31 December 2021	194,700
Capital improvements	405
Fair value gain on investment properties	(66,318)
Effect from translation into presentation currency	(13,087)
At 30 June 2022	115,700

As at 30 June 2022 and 31 December 2021, the Group’s investment properties are pledged to secure bank loans of New Ukraine PE Holding Limited and bonds issued by NUPEH CZ s.r.o.

(b) Determination of fair value

To assist with the estimation of fair value of investment properties as at 31 December 2021, management engaged independent appraiser CBRE LLC, having a recognized professional qualification and recent experience in the location and categories of the projects being valued (hereinafter referred to as “the 2021 Valuation” 1). The valuation was carried out according to RICS Valuation – Global Standards (2020) using the income approach.

To provide the estimation of fair value of investment properties as at 30 June 2022, management decided to apply the income approach to valuation as used in CBRE 2021 Valuation corrected based on actual results for January-June 2022 NOI and management’s view on market changes as of 30 June 2022 due to ongoing war in Ukraine.

As at 30 June 2022, the estimation of fair values is based on certain assumptions, the most important of

¹ Audited external valuation of fair market value performed by CBRE Ukraine as at 31/12/2021.

which are as follows:

For East Gate:

- Direct capitalization of expected July 2022 annualized NOI at 14% yield (yield increased by 2.5 pp in 1H2022 due to wartime effect on the market).

The decrease of East Gate's fair value (-6.8% YTD) is due to the increased yield due to higher risks on the market.

For Piramida:

- Net present value at 25% discount rate based on annualized NOI for December 2023 with terminal value calculated at 14.5% yield (yield increased by 2 p.p., discount rate increased by 10.25 p.p. in 1H2022 as compared to 2021 Valuation, due to deteriorating retail market fundamentals in wartime conditions).

The decrease of Piramida's fair value (-31% YTD) is mainly due to the decrease in the expected NOI and the yield increase due to higher risks on the market.

For West Gate:

- Net present value at 25% discount rate based on annualized NOI for September 2022 with terminal value calculated at 14% yield for the property part remained after the damage, taking into account the development potential of the landplot for the damaged part. Yield increased by 2.25 p.p. in 1H2022 as compared to 2021 Valuation, due to wartime effect on the market.

The decrease of fair value (-83.5% YTD) is attributed to the decrease in expected NOI due to damage of 90% warehouse in 1Q2022 and increased yields due to higher risks on the market.

For Eurasia:

- Net present value at 25.0% discount rate based on annualized NOI for June 2023 with terminal value calculated at 15.0% yield (yield increased by 3 p.p., discount rate increased by 11 p.p. in 1H2022, due to deteriorated office fundamentals in wartime period).

The decrease in fair value (-35.1% YTD) is mainly due to decreased expected NOI and yield increase due to higher risks on the market.

For Prime:

- Net present value at 25% discount rate based on annualized NOI for June 2023 with terminal value calculated at 14.5% yield (yield increased by 3 p.p., discount rate increased by 12 p.p. in 1H2022 as compared to 2021 Valuation, due to deteriorated office fundamentals in wartime period).

The decrease of Prime's fair value (-23.2% YTD) is mainly due to decreased expected NOI and yield increase due to higher risks on the market.

(c) Usage of the land plot

As at 30 June 2022 and 30 June 2021, APV has a lease agreement for rent of the part of the land plot on which its shopping center Piramida is located. The land plot under lease agreement is in ownership of Kyiv city administration. The lease agreement of the Group for rent of land plot matures on 29 May 2025.

EGL has a lease agreement for rent of the part of the land plot on which its property is located. The lease agreement of the Group for rent of land plot matures on 14 April 2030.

PMS One does not have a lease agreement for rent of the land plot on which its business centre "Eurasia" is located. The respective land plot is in ownership of the Kyiv City Council. The title to the Land associated to the Investment Property has not yet been formalized the as at 30 June 2022. However, it is still be able to use the land on so called "de facto" principle. As a matter of practice, this type of unformalized use of land may last for years.

6. Cash and cash equivalents

The following table represents an analysis of cash and cash equivalents based on companies of the Group as at 30 June 2022:

	30 June 2022
<i>(in thousands of USD)</i>	
New Ukraine PE Holding Limited	7,702
LLC "Atlantic Pacific Ventures"	1,052
NUPEH CZ s. r. o.	1,985
LLC "Property Management Solutions One"	902
LLC "Property Management Solutions Two"	519
LLC "West Gate Logistik"	46
LLC "East Gate Logistik"	1,118
Total	13,324

The following table represents an analysis of cash and cash equivalents based on companies of the Group as at 31 December 2021:

	31 December 2021
<i>(in thousands of USD)</i>	
New Ukraine PE Holding Limited	6,613
LLC "Atlantic Pacific Ventures"	4,130
NUPEH CZ s. r. o.	359
LLC "Property Management Solutions One"	347
LLC "Property Management Solutions Two"	172
LLC "West Gate Logistik"	52
LLC "East Gate Logistik"	5
Total	11,678

As at 30 June 2022 cash balances amounting to USD 9,603 thousand (31 December 2021: USD 6,859 thousand) held in the bank which is unrated relate to the same bank in which the Group has received its loans financing (Note 9). The remaining balance of the cash held in the unrelated bank relates to the bank institution in which Dragon Capital Investments Limited (Cyprus), one of the Group's shareholder, has control.

As at 30 June 2022 and 31 December 2021 cash balances include restricted cash placed at the Debt Service Reserve Account amounting to USD 1,636 thousand which under loan facilities agreement serves as a collateral to the payment of liabilities arisen under bonds issued.

7. Bonds issued

As at 30 June 2022, the terms and debt repayment schedule of bonds issued are as follows:

	30 June 2022	31 December 2021
<i>(in thousands of USD)</i>		
Issued bonds at amortized cost	43,426	46,990
	43,426	46,990
Out of that: short term	670	591

Out of that: long term 42,756 46,399

Short-term financial instruments are represented by accrued interest on issued bonds, which is due within one year from the balance sheet date. Long-term instruments are presented by the principal payable.

Detailed information in respect of bonds issued as at 30 June 2022 is provided in the table below:

<i>(in thousands of USD)</i>	Principal	Accrued interest	Maturity	Coupon rate (%)	EIR
Issued bonds	28,458	560	30 October 2025	5,9%	6,76%
Issued bonds	8,171	63	30 October 2025	5,9%	7,00%
Issued bonds	47	47	30 October 2025	5,9%	7,00%
	43,426	670		5,9%	-

Reconciliation of bonds' movements:

(in thousands of USD)

Balance at 1 January 2021	-
<i>Cash movements</i>	
Proceeds from issue of bonds	15,887
Interest payment	(2,374)
<i>Non-cash movements</i>	
Interest accrued on bonds	2,619
Effect from foreign exchange rates	(1,198)
Balance at 31 December 2021	46,990
<i>Cash movements</i>	
Proceeds from issue of bonds	
Interest payment	(1,327)
<i>Non-cash movements</i>	
Interest accrued on bonds	1,496
Effect from foreign exchange rates	(3,732)
Balance at 30 June 2021	43,426

The bonds were issued on the Stock exchange in Prague (Czech Republic) on 30 October 2020 with total nominal value of CZK 700 million (USD 30,048 thousand), maturing in 2025. They are listed on the public market.

Additional bonds were issued on 30 June 2021 with total nominal value of CZK 350 million (USD 16,325 thousand), maturing in 2025. They are listed on the public market.

Interest is payable twice: on 30 April and 30 October each year. The total nominal amount of subscribed bonds as at 31 December 2021 was CZK 1,050 million.

New Ukraine PE Holding Limited (Shareholder) guaranteed the Issuer's Bonds in the form of a financial guarantee under Czech law. The Group 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 the Group), the Group will repay the principal of the Bond in a lump sum on 30 October 2025.

Transaction costs in the amount of CZK 22,097 thousand (USD 946 thousand) were associated with the issue of the Bonds with the nominal value CZK 700 million. These costs are recognized in the consolidated 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 %.

Transaction costs in the amount of CZK 6,331 thousand (USD 288 thousand) were associated with the issue of the Bonds with the nominal value CZK 200 million. These costs are recognized in the consolidated income statement during the Bonds life based on the effective interest rate. The coupon rate is 5.9%. The effective interest rate is 7.00 %.

Transaction costs in the amount of CZK 4,748 thousand (USD 216 thousand) were associated with the issue of the Bonds with the nominal value CZK 150 million. These costs are recognized in the consolidated income statement during the Bonds life based on the effective interest rate. The coupon rate is 5.9%. The effective interest rate is 7.00 %.

Bonds issued at amortised cost are categorised in Level 1 of the fair value hierarchy. The fair value for Level 1 was calculated based on quoted bond price as at 30 June 2022 and 30 June 2021.

8. Receivables and payables from derivative operations

<i>(in thousands of USD)</i>	30 June 2022	31 December 2021
Fair value of the swap	(4,897)	(2,220)
	<u>(4,897)</u>	<u>(2,220)</u>

As at 30 June 2021 the Group has 3 cross currency swaps with J&T BANKA, a.s. to bridge the currency mismatch between the issued bonds and the provided loan in USD.

The Group set up a swap on 30 October 2020 in the amount of CZK 700,000 thousand with a Czech crown 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 October 29, 2025.

The Group valued and recognized the fair value of the swap as a liability in the amount of USD 2,206 thousand as at 30 June 2022, as at 31 December 2021 the fair value of the swap was recognized as a receivable in the amount of USD 435 thousand.

The Group set up a swap on 23 June 2021 in the amount of CZK 200,000 thousand with a Czech crown interest rate of 5.9% against the amount of USD 9,421 thousand with a dollar interest rate of 6.45%. The maturity of the swap is October 29, 2025.

The Group valued and recognized the fair value of the swap as a liability in the amount of USD 1,153 thousand as at 30 June 2022, as at 31 December 2021 the fair value of the swap was recognized as a receivable in the amount of USD 765 thousand.

The Group set up a swap on 23 June 2021 in the amount of CZK 150,000 thousand with a Czech crown interest rate of 5.9% against the amount of USD 7,065 thousand with a dollar interest rate of 6.45%. The maturity of the swap is October 29, 2025.

The Group valued and recognized the fair value of the swap as a liability in the amount of USD 1 538 thousand as at 30 June 2022, as at 31 December 2021 the fair value of the swap was recognized as a receivable in the amount of USD 1 020 thousand.

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 does not report a derivative as a hedging instrument; all movements in fair value are recognized as profit or loss in the consolidated income statement.

9. 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 16.

As at 30 June 2021, the terms and debt repayment schedule of bank loans are as follows:

	Currency	Nominal interest rate	Effective interest rate	Maturity	Carrying value
<i>(in thousands of USD)</i>					
<i>Long-term loans</i>					
J&T BANKA (Facility A)	USD	6% + LIBOR	8.24%	31 Dec 2025	<u>27,661</u>
Total					<u><u>27,661</u></u>
<i>Current portion of long-term loans</i>					
J&T BANKA (Facility A)					6,128

Total	6,128
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As at 31 December 2021, the terms and debt repayment schedule of bank loans are as follows:

	Currency	Nominal interest rate	Effective interest rate	Maturity	Carrying value
<i>(in thousands of USD)</i>					
<i>Long-term loans</i>					
J&T BANKA (Facility A)	USD	6% + LIBOR	6.88%	31 Dec 2025	27,629
Total					27,629
<i>Current portion of long-term loans</i>					
J&T BANKA (Facility A)					5,883
Total					5,883

(a) J&T BANKA Loan

On 19 October 2020 the Group signed new Loan facilities agreement with the J&T BANKA that provided two facilities: Facility A (up to USD 40,000 thousand) and Facility B (up to CZK 1,575,000 thousand).

The Group utilized the whole amount of the loan Facility A on 22 October 2020. In accordance with the terms of the loan agreement, the Group 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 30 June 2022 the Group has not utilized amount available under this facility.

These loan facilities are referred to as Junior Debt under Loan facilities agreement between New Ukraine PE Holding Limited, NUPEH CZ s.r.o. and J&T BANKA a.s. dated 19 October 2020 where NUPEH CZ s.r.o. has the right and priority of payment as Senior Notes Creditor.

Finance costs include interest expense accrued under J&T BANKA loan for the period of 6 months 2022 amount to USD 1,272 thousand.

The Parent Company received the consent of JT Banka to defer payment of the March debt service (interest payment in the amount of USD 510 thousand is postponed to September 2022 and payment of principal in the amount of USD 1,200 thousand is postponed till maturity date which is 31 December 2025) and June debt service (interest payment in the amount of USD 570 thousand is postponed to September 2022 and payment of principal in the amount of USD 1,200 thousand is postponed till maturity date which is 31 December 2025).

The Group's loans and borrowings at amortised cost are categorised in Level 2 of the fair value hierarchy. Such fair value was estimated by discounting the expected future cash flows under the market interest rate for similar financial instruments that prevails as at the reporting date.

Collateral

During the year ended 31 December 2017 the Group'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 30 June 2022, the following pledge and guarantee agreements were concluded to secure the loan agreements of the Group (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 Group:

- Cypriot law Share Pledge Agreement in respect of approximately 57.81% 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 39.64% 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 2.55% shares in the Borrower between the Lender as pledgee and West Street Ems Partners, SLP, as pledgor.
- Czech law Share Pledge Agreement in respect of 100% shares in the Group'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 property:
 - Shopping and entertainment center "Piramida" (Atlantic Pacific Ventures LLC);
 - Office premises in business center "Eurasia" (Property Management Solutions One);
 - Office premises in business center "Prime" (Property Management Solutions Two);
 - Two warehouse and logistics complexes owned by East Gate Logistic LLC and West Gate Logistic LLC
- Ukrainian law Intragroup Receivables Pledge Agreement were signed in respect of 100% receivables due to the Group 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 Group as at 31 December 2021.

10. Tenants' security deposits

Tenants' security deposits as at 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022	31 December 2021
<i>(in thousands of USD)</i>		
Short term tenants' security deposits	1,177	910
Long term tenants' security deposits	1,285	1,705
	<u>2,462</u>	<u>2,615</u>

Tenants' security deposits are held by the Group on an interest-free basis and can be used to cover any expenses and losses incurred by the Group due to the improper performance by the customer of its obligations under the lease agreement, including but not limited to, failure to pay the lease payment, maintenance fees or other charges provided for in the agreement. Part of tenant's security deposits can

be used as a payment for the last month of the rent and by nature are considered to be as a prepayment for rent services.

The Group classifies its tenants' security deposits as long-term and short-term in accordance with the contractual maturity of its non-cancellable lease commitments. The non-cancellable period of the lease agreements of the Group is up to 5 years. The tenants' security deposits that cannot be used as a payment for the last month of the rent are stated at amortised cost and discounted under effective market interest rates. The difference between the initial fair value and the nominal value of the tenants' security deposits is presented as deferred income and amortised over the lease period to fixed rental income.

11. Revenue

Revenue for the 6 months ended 30 June is as follows:

	6m2022	6m2021
<i>(in thousands of USD)</i>		
Rental income:		
Fixed lease payments	5,686	9,381
Variable lease payments	350	277
Total rental income	<u>6,036</u>	<u>9,658</u>
Revenue from contracts with customers:		
Provision of utilities and other services	2,590	2,875
Other revenue	111	168
Total revenue from contracts with customers	<u>2,701</u>	<u>3,043</u>
	<u>8,737</u>	<u>12,701</u>

12. Cost of sales

Cost of sales for the 6 months ended 30 June is as follows:

	6m2022	6m2021
<i>(in thousands of USD)</i>		
Utilities	926	761
Personnel costs	470	617
Tax expense	395	328
Service charge	238	309
Repairs and maintenance	60	130
Insurance	38	51
Depreciation	4	1
Other	25	68
	<u>2,156</u>	<u>2,267</u>

13. Finance expenses

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

	6m2022	6m2021
<i>(in thousands of USD)</i>		
Interest expenses on bonds	1,496	1,040
Interest expense on loans	1,272	1,264
Foreign exchange loss, net	4,055	
Other	206	84
	<u>7,029</u>	<u>2,388</u>

Foreign exchange loss (as well as foreign exchange gain in Note 14) was generated primarily at the level of Ukrainian subsidiaries on intergroup loans that are denominated in USD and the functional currency of the Ukrainian subsidiaries is UAH and at the level of Czech subsidiary as bonds were issued in CZK and the functional currency of the Czech subsidiary is US Dollars.

14. Finance income

Financial income for the 6 months ended 30 June is presented as follows:

	6m2022	6m2021
<i>(in thousands of USD)</i>		

Foreign exchange gain		2,855
Interest income	54	80
Other income	268	115
	<u>322</u>	<u>3,050</u>

15. Income tax expense

(a) Income tax expense

Income tax expense for the 6 months ended 30 June is as follows:

	6m2022	2021
<i>(in thousands of USD)</i>		
Current tax expense	446	1,983
Deferred tax (expense)/benefit	(6,487)	3,169
Income tax expense for Ukrainian subsidiaries	<u>(6,041)</u>	<u>5,152</u>
Overseas taxes	185	342
Income tax expense for the Cyprus Parent	<u>185</u>	<u>342</u>
Total income tax expense	<u>(5,856)</u>	<u>5,494</u>

The applicable tax rate for reporting period in Ukraine is fixed at 18%.

The corporation tax rate for Cyprus companies is 12.5%. Also under certain conditions interest income in Cyprus 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%.

(b) Reconciliation of effective tax rate

The difference between the total expected income tax expense for the 6 months ended 30 June 2022 by applying the Ukrainian statutory income tax rate to profit or loss before tax and the reported tax expense is as follows:

	6m2022	%	2021	%
<i>(in thousands of USD)</i>				
Profit before tax	<u>(69,646)</u>	<u>100%</u>	<u>27,747</u>	<u>100%</u>
Income tax expense at statutory rate in Ukraine	<u>(12,536)</u>	<u>18.00%</u>	<u>4,454</u>	<u>18.00%</u>
Recognition of previously unrecognised deductible temporary differences	-	-	-	-
Non-taxable/(non-deductible) differences	1,368	(1.96%)	630	2.55%
Change in unrecognised deferred tax assets	<u>5,127</u>	<u>(40.90%)</u>	<u>68</u>	<u>0.27%</u>
	<u>(6,041)</u>	<u>8.67%</u>	<u>5,152</u>	<u>20.82%</u>

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities as at 30 June 2022 and 31 December 2021 are attributable to the following items:

	Assets		Liabilities		Net	
	6m2022	2021	6m2022	2021	6m2022	2021
<i>(in thousands of USD)</i>						
Investment properties	-	-	(13,077)	(25,918)	(13,077)	(25,918)
Tax losses carried forward	-	4,994	-	-	-	4,994
Loans to related parties	-	-	(146)	(164)	(146)	(164)
Trade and other accounts payable	4	18	-	-	4	18

Interest payable	-	-	-	-	-	-
Net deferred tax assets/(liabilities)	4	5,012	(13,163)	(26,082)	(13,159)	(21,070)

(d) Movements in recognised deferred tax assets and liabilities

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2021 are as follows:

	Balance as at 31 December 2021 asset / (liability)	Recognised in profit or loss	Foreign currency translation adjustment	Balance as at 30 June 2022 asset / (liability)
<i>(in thousands of USD)</i>				
	(25,918)	11,149	1,751	(13,017)
Investment properties				
Tax losses carried forward	4,994	(4,657)	(337)	-
Loans to related parties	(164)	7	(12)	(146)
Trade and other accounts payable	18	(12)	0	6
Deferred tax liabilities	(21,069)	(6,487)	1,425	(13,159)

Movements in recognised deferred tax assets and liabilities during the year ended 31 December 2021 are as follows:

	Balance as at 31 December 2020 asset / (liability)	Recognised in profit or loss	Foreign currency translation adjustment	Balance as at 31 December 2021 asset / (liability)
<i>(in thousands of USD)</i>				
	(22,975)	(2,090)	(852)	(25,918)
Investment properties				
Tax losses carried forward	5,938	(1,160)	217	4,994
Loans to related parties	(326)	174	(12)	(164)
Interest payable	91	(94)	3	-
Trade and other accounts payable	17	1	0	18
Deferred tax liabilities	(17,256)	(3,169)	(644)	(21,069)

16. Financial instruments - Fair values and financial risk management

(a) Risk management framework

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.

(b) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

(c) Credit risk

As at 30 June 2022 and 31 December 2021 the expected credit losses were insignificant and were not accounted for. No financial assets were impaired at this date.

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 cash and cash equivalents and trade and other accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

The Group's short-term financial assets, other than cash and cash equivalents, comprise of trade and other receivables as follows:

	6m2022	2021
<i>(in thousands of USD)</i>		
Ukrainian subsidiaries	1,045	652
NUPEH CZ s. r. o.	27	72
New Ukraine PE Holding Limited	214	35
Total trade and other receivables	1,286	759

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis. No expected credit losses were recognised as at 30 June 2022 and 31 December 2021 due to the short-term nature to cash and cash equivalents.

(d) 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 30 June 2022. The amounts are gross and undiscounted, and include estimated interest payments:

	Carrying amount	Contractual cash flows			
		Total	Within one year	2-5 years	More than 5 years
<i>(in thousands of USD)</i>					
Loans and borrowings from J&T BANKA	33,789	40,765	8,689	32,076	-
Bonds issued by NUPEH CZ	43,427	58,398	3,272	55,126	-
Trade and other payables	275	275	275	-	-
	77,491	99,438	12,236	87,202	-

The following are the contractual maturities of financial liabilities as at 31 December 2021. The amounts are gross and undiscounted, and include estimated interest payments:

	Carrying amount	Contractual cash flows			
		Total	Within one year	2-5 years	More than 5 years
<i>(in thousands of USD)</i>					
Loans and borrowings from J&T BANKA	33,512	39,848	6,877	32,971	-
Bonds issued by NUPEH CZ	46,990	60,034	3,272	56,762	-
Trade and other payables	731	731	731	-	-

81,233	100,613	10,880	89,733	-
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(e) 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 optimizing the return.

(i) Foreign currency risk

Foreign currency risk is the risk that the financial result of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. Ukrainian subsidiaries of the Group have significant loans balances denominated in USD as at 30 June 2022 and 31 December 2021 and are exposed to foreign currency risk in the event of significant devaluation of Ukrainian Hryvnia. The Company manages this risk in the process of sales pricing by linking rent charges to changes in USD and EUR exchange rates.

Also 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 no.1 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
	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
Side	J&TB vice versa
Currency pair	USD/CZK
Tenor	5years
Exchange rate	22.980 (spot market rate)
Notional	700,000,000 CZK
Initial notional exchange volume, currency	700,000,000 CZK
Side	NUPEH buys USD vs CZK, J&TB vice versa
Value date	October 30th 2020
Final notional Exchange Volume, currency	700,000,000 CZK
Side	NUPEH sells USD vs CZK, J&TB vice versa
Value date	End of last interest period
Interest payments	
Interest rate Period	Semi annually
Rates: CZK (NUPEH receives)	CZK fix 5,90% pa 30/360
Rates: USD (NUPEH pays)	USD fix 7,25% pa 30/360
Day count	30E/360

More details regarding cross currency swap no.2 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
	NUPEH borrows USD and pays USD fix coupon @6,45% pa 30E/360 s/a, and lends CZK and receives CZK fix coupon @5,90% pa 30E/360 s/a
Side	J&TB vice versa
Currency pair	USD/CZK
Tenor	4.39years

Exchange rate	21.230 (spot market rate)
Notional	200,000,000 CZK
Initial notional exchange	
volume, currency	200,000,000 CZK
Side	NUPEH buys USD vs CZK, J&TB vice versa
Value date	June 30th 2021
Final notional Exchange	
Volume, currency	200,000,000 CZK
Side	NUPEH sells USD vs CZK, J&TB vice versa
Value date	End of last interest period
Interest payments	
Interest rate Period	Semi annually
Rates: CZK (NUPEH receives)	CZK fix 5,90% pa 30/360
Rates: USD (NUPEH pays)	USD fix 6,45% pa 30/360
Day count	30E/360

More details regarding cross currency swap no.3 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
	NUPEH borrows USD and pays USD fix coupon @6,45% pa 30E/360 s/a, and lends CZK and receives CZK fix coupon @5,90% pa 30E/360 s/a
Side	J&TB vice versa
Currency pair	USD/CZK
Tenor	4.39 years
Exchange rate	21.230 (spot market rate)
Notional	150,000,000 CZK
Initial notional exchange	
volume, currency	150,000,000 CZK
Side	NUPEH buys USD vs CZK, J&TB vice versa
Value date	June 30th 2021
Final notional Exchange	
Volume, currency	150,000,000 CZK
Side	NUPEH sells USD vs CZK, J&TB vice versa
Value date	End of last interest period
Interest payments	
Interest rate Period	Semi annually
Rates: CZK (NUPEH receives)	CZK fix 5,90% pa 30/360
Rates: USD (NUPEH pays)	USD fix 6,45% pa 30/360
Day count	30E/360

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of obtaining new financing management uses its judgment to decide whether a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Refer to Notes 7 and 9 for information about maturity dates and interest rate of the bonds issued and loans and borrowings.

The Group does not account for any fixed-rate financial instruments as fair value through profit or loss and also does not have variable interest rate loans and borrowings. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

(iii) Fair values

Estimated fair values of the financial assets and liabilities have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in

interpreting market data to produce the estimated fair values. Accordingly, the estimates are not necessarily indicative of the amounts that could be realised in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The estimated fair values of financial assets and liabilities are determined using discounted cash flow and other appropriate valuation methodologies, at year-end, and are not indicative of the fair value of those instruments at the date these condensed financial statements are prepared or distributed. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Subsidiaries entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments. In addition, tax ramifications related to the realisation of the unrealised gains and losses can have an effect on fair value estimates and have not been considered.

Management believes that for all the financial assets and liabilities, the carrying value is estimated to approximate the fair value as at 30 June 2022 and 31 December 2021. Such fair value was estimated by discounting the expected future cash flows under the market interest rate for similar financial instruments that prevails as at the reporting date.

(f) Capital management

There were no changes in the Group's approach to capital management during the 6 months 2022. The Group is not subject to externally imposed capital requirements.

17. Commitments and contingencies

(a) Lease commitments

The Group as a lessor

The Group entered into lease agreements on its investment properties. These lease agreements usually have contractual terms mainly from 1 to 5 years. Some of these agreements are cancellable but tenants are unlikely to terminate earlier due to substantial leasehold improvements, other agreements are non-cancellable. The Group has determined that it is not reasonably certain for the tenants to extend the lease beyond its contractual term due to the absence of economic incentives. Annual rents are fixed with insignificant step-up adjustments in some agreements.

The maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis is as follows:

	30 June 2022	31 December 2021
<i>(in thousands of USD)</i>		
Up to one year	13,445	19,034
Between one and two years	10,232	14,882
Between two and three years	5,735	10,178
Between three and four years	4,326	6,447
Between four and five years	3,219	5,562
More than five years	2,681	3,318
	39,638	59,421

The Group as a lessee

The Group's lease payments under land lease agreement with local municipal authorities for land plots, on which the Group's investment properties are located for the 6 months ended 30 June 2022 amounted to USD 97 thousand (6 months 2021: USD 93 thousand). The payments can be revised by the lessor once a year based on changes in conditions of use of the land plot, amount of land tax, increase in prices and tariffs and other cases, stipulated by the Ukrainian legislation. These payments are considered to be variable payments, that do not depend on index or rate, and are not included in the measurement of lease

liability as at 30 June 2022 and 31 December 2021 (see Note 4(j)). The Group defines the lease term under the lease agreements with the municipal authorities for land plot, on which the Group's investment properties are located to be in line with the useful life of the investment properties.

(b) Litigations

In the ordinary course of business, the Group is subject to legal actions and complaints. Management is unaware of any significant actual, pending or the threatened claims against the Group.

(c) 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.

18. Related party transactions

(a) Control relationship

The Group'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 six months ended 30 June 2022 remuneration of key management personnel amounted to USD 39 thousand (30 June 2020: USD 60 thousand).

19. Events after the reporting period

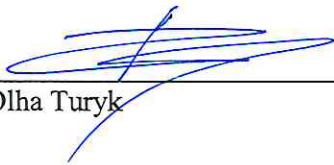
The Group has evaluated subsequent events from the balance sheet date through the date at which the condensed consolidated financial statements were issued.

Management engaged independent appraiser CBRE LLC to assist with the preparation of fair value of investment properties as at 31 August 2022. According to the estimation the fair value of price that would be received to sell assets or paid to transfer of liability in an orderly transaction between market participants as at 31 August 2022 is USD 118,900 thousand:

- Piramida: USD 45,900 thousand;
- East Gate Logistic: USD 18,600 thousand;
- West Gate Logistic: USD 5,000 thousand;
- Property Management Solutions One: USD 35,600 thousand; and
- Property Management Solutions Two: USD 13,800 thousand.

Management will continue to monitor the situation closely and assess whether additional measures need to be taken.

On 29 September 2022 the sole Director of New Ukraine PE Holdings Limited approved and authorised these condensed consolidated financial statements for issue.



Olha Turyk