

TMM Real Estate Development plc
Consolidated Financial Statements

*As at 31 December 2018 and for the
year then ended
with Independent Auditors' Report*

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BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

BOARD OF DIRECTORS

Mykola Tolmachov

Larysa Chyvrina

SECRETARY

Inter Jura CY (Services) Limited

INDEPENDENT AUDITORS

SPL Audit (Cyprus) Limited

Certified Public Accountants and Registered Auditors

13 Kypranoros str, 2nd Floor, Office 202,

P.O.Box 28860, CY - 2083,

10621 Nicosia , Cyprus

BANKERS

Bank of Cyprus Public Company Ltd

JSC "State savings bank of Ukraine"

PJSC "Bank Credit Agricole"

REGISTERED OFFICE

1, Lampousas Str.,

1095, Nicosia,

Cyprus

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors of TMM Real Estate Development plc (the "Company") presents to the shareholders their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the construction and development of residential and business properties mainly in Kyiv and Kharkiv regions of Ukraine.

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

The Group's revenue for the year ended 31 December 2018 amounted to USD 17 048 thousand (2017: USD 16 343 thousand).

As at 31 December 2018 the Group's current liabilities exceeded its current assets by USD 9 493 thousand (2017: USD 33 572 thousand). In addition, during the year ended 31 December 2018, the Group incurred a net loss of USD 14 932 thousand (2017: net loss of USD 6 104 thousand).

The decline in market liquidity and consumption power affected the Group's ability to generate cash flows from operating activities sufficient to repay its debt when it falls due.

The Board of Directors has assessed the risks set out in this report and believes that steps taken in a country specific environment to mitigate risks are appropriate to reduce their material adverse effect on the financial performance and financial position of the Group. Therefore:

- (i) the current financial position as presented in the consolidated financial statements is considered acceptable under the present circumstances;
- (ii) the Board of Directors does not expect major changes in the principal activities of the Group in the short term.

FINANCIAL RESULTS AND DIVIDENDS

The Group's results for the year ended are set out on page 1.

The Board of Directors does not recommend the payment of a dividend. Net result for the year is transferred to reserves.

MAIN RISKS AND UNCERTAINTIES

Main risks and uncertainties faced by the Group are:

- (i) those related to the political and economic unrest in Ukraine.

The Group's operations are primarily carried out in Ukraine. The political and economic situation in Ukraine has been subject to significant turbulence in recent years and demonstrates characteristics of an emerging market. Consequently, operations in the country involve risks that do not typically exist in other markets.

In the recent years, Ukraine has continued to limit its political and economic ties with Russia, taking into account the annexation of Crimea, an autonomous republic of Ukraine, and armed conflict in certain parts of Luhansk and Donetsk regions. Amid these events the economy was demonstrating further refocus on the European Union ("EU") market, realizing the potential of established Deep and Comprehensive Free Trade Area ("DCFTA") with EU, thus effectively responding to the mutual trade restrictions imposed between Ukraine and Russia. Although instability continued throughout 2017 and 2018, Ukrainian economy showed first signs of recovery with inflation rate slowing down, lower depreciation devaluation of hryvnia against major foreign currencies, growing international reserves of the National Bank of Ukraine (the "NBU") and general revival in business activity.

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In 2017 and 2018, the NBU made certain steps to provide a relief to the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency proceeds subject to mandatory sale on the interbank market was gradually decreased, while the settlement period for export-import transactions in foreign currency was increased. Also, the NBU allowed Ukrainian companies to pay dividends abroad with a certain monthly limitation. At the date these financial statements are authorized for issue, most of these currency control restrictions were rescinded altogether.

The banking system remains fragile due to low level of capital and weak asset quality and the Ukrainian companies and banks continue to suffer from the lack of funding from domestic and international financial markets.

The International Monetary Fund continued to support the Ukrainian government under the four-year Extended Fund Facility Programme approved in March 2015. Other international financial institutions have also provided significant technical support in recent years to help Ukraine restructure its external debt and launch various reforms (including anticorruption, corporate law, and gradual liberalization of the energy sector).

Further stabilization of economic and political environment depends on the continued implementation of structural reforms and other factors.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

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

(ii) real estate market risk in Ukraine

Starting from the last quarter of 2008, the Ukrainian residential and industrial property markets have suffered a significant fall in demand following the overall macroeconomic turmoil. This resulted in weak liquidity and the poor conditions prevailing in the Ukrainian property market. The market prices stabilized in 2010–2013 and increased in 2014–2016 in UAH terms due to the depreciation of UAH against US Dollar, however, it is not expected that a significant improvement in market conditions will emerge in the foreseeable future given the deterioration of Ukrainian political and economic situation and thereafter, the lack of availability of mortgage and development financing and weak consumption power in the market.

(iii) uncertainty over going concern

The Group needs to repay USD 41,134 thousand of loans classified within loans and borrowings, liabilities associated with assets held-for-sale and trade and other payables (Notes 24, 25 and 28).

In the end of 2017, the Group commenced negotiations with its largest bank-lender seeking to extend the repayment of debt due in December 2017. In 2018, the Group suggested a restructuring plan to the bank. The restructuring plan was agreed by the parties in 2019. The plan included the following:

- part of the finished goods (apartments) that were pledged with the bank as at 31 December 2017 were to be transferred to the bank based on the agreed price;
- the Group would be selling these apartments on behalf of the bank;
- the Group asked the bank to introduce financing opportunities for the potential customers.

As of the reporting date, the Group's negotiations with its second largest bank-lender were unsuccessful. This lender refused to continue any negotiations with the Group effectively taking over its properties used as a collateral. The Group considers such actions illegal and brought the lender to trial. In 2020 the Group won the trial in Supreme Court of Ukraine. The further development of the situation is however unclear.

The Group's financial plan for 2019 anticipates growth in cash inflows from property sales and construction services as compared to 2018. To achieve the increase in positive cash inflow from its operations in 2019 and 2020 the Group plans the following:

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- to sell the completed property and property under development on a pre-payment basis;
- to participate in tenders for rendering of construction services;
- to sell some of the investment properties and property rights.

The Group's ability to continue as a going concern depends upon its capacity to (i) generate sufficient cash flows from its operating activities; (ii) extend the payment terms of, or otherwise restructure, its interest-bearing loans; and (iii) meet the schedule of its other repayments due in 2019.

USE OF FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for the development of the Group's property portfolio. The Group has trade and other receivables and cash that arise directly from its operations.

The Group has not entered into any material derivative transactions. It is the Group's policy not to trade in financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out by the Group's financial department. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest rate risk

As at 31 December 2018, interest bearing liabilities have fixed rates, the reasonably possible changes in interest rates could not have a significant impact on profit or loss or equity

Credit risk

The Group is exposed to credit risk from its operating activities (primarily from trade and other receivables) and from its financing activities, including cash in bank.

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and customers and bank loans and borrowings.

Foreign currency risk

The Group has transactional currency exposure that relates to monetary assets and liabilities denominated in foreign currencies and are attributable to general volatility in exchange markets. Such exposure arises from sales or purchases by the Group in currencies other than functional currency of the Group's entities. The Group has not entered into transactions designed to hedge against these foreign currency risks.

SHARE CAPITAL

There were no changes to the Company's share capital during the year.

BRANCHES

The Company did not operate any branches during the year.

BOARD OF DIRECTORS

Members of the Board of Directors of the Company as at 31 December 2018 and at the date of this report are shown on page (a).

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office. There were no significant changes in the remuneration of the Board of Directors.

RELATED PARTY TRANSACTIONS

Disclosed in Note 29.

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EVENTS AFTER THE REPORTING DATE

Except for the events disclosed in Note 33 to the consolidated financial statements and the events disclosed in MAIN RISKS AND UNCERTAINTIES section of this report, no other significant events occurred after the end of the year that have a potential effect on the consolidated financial statements.

INDEPENDENT AUDITORS

During the year the independent auditors of the Company, KPMG Limited resigned and SPL Audit (Cyprus) Limited was appointed in their place.

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

By order of the Board of Directors,

Director

Director

Mykola Tolmachov

Larysa Chyvurina

INDEPENDENT AUDITORS' REPORT

To the Member of TMM Real Estate Development plc

Report on the audit of consolidated financial statements

Qualified Opinion

We have audited the consolidated financial statements of TMM Real Estate Development PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 1 to 43 and comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cashflows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the "Basis for qualified opinion" section of our report, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for qualified opinion

We were appointed as auditors of the Group on 18 October 2019, so we were not able to observe the counting of the physical inventories at the 1 January 2018 and 31 December 2018 or satisfy ourselves concerning those inventory quantities and valuation by alternative means. Since opening inventories enter into the determination of the consolidated results of operations, we were unable to determine whether adjustments to the results of operations, changes in equity and cash flows might be necessary for the year ended 31 December 2018.

We were unable to obtain appropriate information supporting the carrying value of the Group's freehold buildings and investment properties that should be stated at fair value as at the reporting date as required by International Accounting standard IAS 40 Investment Property. As a result of these matters, we were unable to determine whether adjustments might have been found necessary in respect of freehold buildings and investment properties, and the elements making up the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows.

We conducted our audit in accordance with International Standards on Auditing as issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our responsibilities under those standards are further described in the "Auditors responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We draw attention to Note 3 to the consolidated financial statements, which describes the fact that the Group incurred a net loss of USD 14,932 thousand for the year ended 31 December 2018 and, as at that date, its current liabilities exceeded its current assets by USD 9,493 thousand. These factors, along with other matters as set forth in Note 3 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter

Emphasis of Matter

We draw attention to notes 12,24,25 and 28 which describes the Company's liabilities towards its major lenders and the losses occurred as a result of the open legal cases and the restructuring of its debt agreement signed during 2019 that was considered as an adjusting post balance sheet adjusting event.

As of 31 December 2018, the negotiations with the lender were under way and accordingly the Group decided to present the respective part of its assets and liabilities under assets held-for-sale and liabilities associated with assets held-for-sale lines in its statement of financial position.

The ultimate outcome of these matters and procedures cannot be determined at present, and no additional provision has been made in the consolidated financial statements for any liability that may result. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Basis for qualified opinion" and in the "Material uncertainty related to going concern" sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of freehold building and investment properties, Notes 16, 17	
See Notes 16 and 17 to the consolidated financial statements	
The key audit matter	Auditors actions on this matter.
<p>The Group has significant holding of freehold buildings and investment properties, which as at 31 December 2018 represented 12 % of total assets. It should be noted that as of 31 December 2017, investment property and freehold buildings accounted for 48% of total assets, however, during 2018, part of freehold buildings with a total amount of 8,318 thousand USD was reclassified to assets held for sale under the restructuring agreement and a part with a total amount of 15,120 thousand USD was disposed due to loss of control.</p> <p>The Group measures its freehold buildings and investment properties at fair value. As disclosed in note 16 and 17 to the consolidated financial statements, the fair value is determined by market comparable approach.</p> <p>As at reporting date the Group performed analysis of potential changes in fair value for freehold buildings and investment properties.</p> <p>The Group made an analysis of annual change in real estate prices and changes in pattern of usage</p>	<ol style="list-style-type: none"> 1. The client did not engage an expert appraiser to assess the market value of investment property and freehold buildings, therefore our opinion in terms of valuation is qualified. 2. We analyzed market prices for similar properties and analyzed rental prices to identify signs of impairment. Our analysis showed that there are no signs of impairment, however, it is problematic to determine the fair value of these types of real estate without involving an expert. 3. We cannot assess reliably the adequacy of the disclosures made in the consolidated financial statements.



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of the Group freehold buildings and investment properties.

Additionally, the Group didn't involve an independent appraiser for analysis of changes in real estate prices for the Group portfolio of properties.

Legal cases matter

See Note 12, 24, 25 to the consolidated financial statements

The key audit matter

Provisions on legal cases require the Board of Directors to make judgments and estimates relation to legal cases issues. The Group's companies were involved in several lawsuits with the banks as plaintiffs. The greatest attention was paid to the process with Ukrsofsbank (the current name of the bank is Alfa Bank), which sold the collateral at a public independent auction. The Group recognized a loss (Note 12) and the balance is disclosed in Note 25. No additional provision is required. The Group continues to keep its rights in the Supreme Court.

Auditors actions on this matter:

1. The auditor analyzed the completeness of all court cases and court decisions, where the Group companies act as defendants on the open court portal, and identified the most significant ones.
2. The auditor received the minutes of the results of the SETAM auction, verified them with the results reflected in the Group financial statements. No significant differences were found. Part of the debt to banks is recognized in Note 25, no additional reserves are required.
3. Auditor obtained legal letters from third party (Independent). All significant financial impacts have been disclosed.

Other Information

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter



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should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors' Law of 2017, L.53(1)/2017 we report the following:

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

Other matter

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditor's Law L. 53(1)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Comparative figures

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed a modified opinion on those consolidated financial statements on 2 July 2018.

Andreas Georgiou
Certified Public Accountant and Registered Auditor

for and on behalf of

SPL Audit (Cyprus) Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 29 January 2021

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2018
(in thousands of US dollars, unless otherwise indicated)

	Notes	2018	2017
Revenue	7	17 048	16 343
Cost of revenue	8	(14 699)	(14 731)
Gross profit		2 349	1 612
Other operating income	9	4 563	987
General and administrative expenses	10	(2 424)	(1 455)
Selling and distribution expenses	11	(365)	(350)
Other operating expenses	12	(19 301)	(1 196)
Operating loss		(15 178)	(402)
Finance costs	13	(3 586)	(4 038)
Foreign exchange gain/(loss), net		1 059	(3 042)
Loss before tax		(17 705)	(7 482)
Income tax benefit	15	2 773	1 378
Loss for the year		(14 932)	(6 104)
Other comprehensive loss			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation to presentation currency		469	(450)
Other comprehensive loss for the year, net of tax		469	(450)
Total comprehensive loss for the year, net of tax		(14 463)	(6 554)
Loss attributable to:			
Equity holders of the parent		(14 928)	(6 096)
Non-controlling interests		(4)	(8)
		(14 932)	(6 104)
Total comprehensive loss attributable to:			
Equity holders of the parent		(14 487)	(6 538)
Non-controlling interests		24	(16)
		(14 463)	(6 554)
Weighted average basic and diluted number of shares (in thousands of shares)		51 084	51 084
Basic and diluted (loss)/profit per share (in US dollars)		(0.29)	(0.12)

The accompanying notes form an integral part of the consolidated financial statements

Consolidated statement of financial position
as at 31 December 2018
(in thousands of US dollars, unless otherwise indicated)

	Notes	31 December 2018	31 December 2017 *
ASSETS			
Property, plant and equipment	16	3 153	25 030
Property development rights and costs	18	2 762	2 726
Investment property	17	6 918	24 448
Intangible assets		22	19
Non-current assets		12 855	52 223
Inventories	19	19 369	29 708
Receivable under the investment agreement	20	415	5 123
Trade and other receivables	21	3 084	1 282
Prepayments made	22	438	4 987
Taxes recoverable		87	32
Cash and cash equivalents		328	99
Current assets		23 721	41 231
Non-current assets classified as held-for-sale	28	22 762	-
TOTAL ASSETS		59 338	93 454
EQUITY AND LIABILITIES			
Equity			
Share capital	23	510	510
Share premium		99 191	99 191
Additional paid-in capital		15 450	15 450
Revaluation reserve		69 672	79 694
Accumulated deficit		(57 353)	(51 647)
Translation reserve		(127 917)	(128 386)
Equity attributable to equity holders of the parent		(447)	14 812
Non-controlling interests		268	248
Total equity		(179)	15 060
Loans and borrowings	24	218	215
Deferred tax liability	15	698	3 376
Non-current liabilities		916	3 591
Trade and other payables	25	15 408	6 805
Loans and borrowings	24	339	49 088
Contract liabilities	26	12 963	15 191
Income tax payable		110	101
Taxes payable other than income tax	27	4 394	3 618
Current liabilities		33 214	74 803
Liabilities associated with assets classified as assets held-for-sale	28,25	25 387	-
TOTAL LIABILITIES		59 517	78 394
TOTAL EQUITY AND LIABILITIES		59 338	93 454

Signed and authorized for issue on behalf of TMM Real Estate Development plc on 29 January 2021.

Director

Mykola Tolmachov

Director

Larysa Chyvrina

The accompanying notes form an integral part of the consolidated financial statements

**Consolidated statement of changes in equity
for the year ended 31 December 2018**
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Company						Total	Non- controlling interests	Total equity
	Share Capital	Share premium	Additional paid-in capital	Revaluation reserve	Accumulated deficit	Translation reserve			
Balance at 1 January 2017	510	99 191	15 450	79 464	(45 321)	(127 944)	21 350	264	21 614
Loss for the year	-	-	-	-	(6 096)	-	(6 096)	(8)	(6 104)
Exchange differences on translation to presentation currency	-	-	-	-	-	(442)	(442)	(8)	(450)
Total comprehensive loss for the year	-	-	-	-	(6 096)	(442)	(6 538)	(16)	(6 554)
Transfer of revaluation reserve, net of taxes	-	-	-	230	(230)	-	-	-	-
Balance at 31 December 2017	510	99 191	15 450	79 694	(51 647)	(128 386)	14 812	248	15 060
Effect of adoption of IFRS 15	-	-	-	-	(800)	-	(800)	-	(800)
Balance at 1 January 2018	510	99 191	15 450	79 694	(52 447)	(128 386)	14 012	248	14 260
Loss for the year	-	-	-	-	(14 928)	-	(14 928)	(4)	(14 932)
Exchange differences on translation to presentation currency	-	-	-	-	-	469	469	24	493
Total comprehensive loss for the year	-	-	-	-	(14 928)	469	(14 459)	20	(14 439)
Transfer of revaluation reserve, net of taxes	-	-	-	(10 022)	10 022	-	-	-	-
Balance at 31 December 2018	510	99 191	15 450	69 672	(57 353)	(127 917)	(447)	268	(179)

The accompanying notes form an integral part of the consolidated financial statements

Consolidated statement of cash flows
for the year ended 31 December 2018
(in thousands of US dollars, unless otherwise indicated)

	Notes	2018	2017
Operating activities			
Loss before tax		(17 705)	(7 482)
Non-cash adjustments to reconcile loss before tax to net cash flows			
Depreciation and amortization		849	760
Loss on disposal of non-current assets	12	17 156	202
Trade and other payables written off		(4 359)	-
Finance costs	13	3 586	4 038
Unrealised foreign exchange loss and other non-cash movements		(826)	3 022
		(1 299)	540
Working capital adjustments			
Change in inventories		11 463	3 139
Change in trade and other receivables		(1 888)	(330)
Change in prepayments made		3 268	1 310
Change in taxes recoverable, other than income tax		-	(6)
Change in trade and other payables and provisions		5 850	(133)
Change in advances received		(3 449)	726
Change in taxes payable, other than income tax		773	529
		14 718	5 775
Interest paid		(1 167)	(3 460)
Income taxes paid		-	-
Net cash flows from operating activities		13 551	2 315
Investing activities			
Proceeds from sale of non-current assets		(10 196)	236
Purchase of non-current assets		(3)	(1 003)
Net cash flows (used in)/from investing activities		(10 199)	(767)
Financing activities			
Proceeds from loans		-	-
Repayment of loans		(3 123)	(1 641)
Net cash flows used in financing activities		(3 123)	(1 641)
Net increase/(decrease) in cash and cash equivalents		231	(93)
Effect of foreign exchange on cash and cash equivalents		2	(1)
Cash and cash equivalents as at 1 January		99	193
Cash and cash equivalents as at 31 December		328	99

The accompanying notes form an integral part of the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2018***(in thousands of US dollars, unless otherwise indicated)***1. Corporate information**

These consolidated financial statements are prepared by TMM Real Estate Development plc (hereinafter referred to as the "Company"), a Cyprus public company incorporated in Nicosia, Cyprus on 30 November 2006 under Cyprus Companies Law, Cap. 113. The address of the Company's registered office is 1, Lampousas Str., 1095, Nicosia, Cyprus and its principal place of business is 49A, Volodymyrska street, Kyiv, Ukraine, 04116.

The Company is a subsidiary of TMM Holdings Ltd, which is also incorporated in Cyprus. 20.3% of the Company's shares in the form of GDRs are listed on Frankfurt Stock Exchange.

The principal activity of the Company together with its subsidiaries (collectively referred to as the "Group") is the construction and development of residential and business properties and provision of utility and lease services in Ukraine (mainly Kyiv and Kharkiv regions). All subsidiaries of the Group are incorporated in Ukraine.

The Group started to exercise control over TMM Holding on 1 October 2018.

The Company itself mainly acts as a holding company and exercises control over the operations of its subsidiaries.

The list of significant subsidiaries and the Company's effective ownership interest as at 31 December is as follows:

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>2018</i>	<i>2017</i>
Company "T.M.M." (Ltd)	Construction, development and provision of utility services	100.0%	100.0%
Ltd "TMM - VIKNA"	Production of construction materials	91.0%	91.0%
"TMM - Budkomplekt" LLC	Production of construction materials	98.9%	98.9%
TMM Holding LLC	Sales of completed properties	-	-

The Group is ultimately controlled by Mr. Mykola Tolmachov.

2. Operating environment, risks and economic conditions**Ukrainian business environment**

The Group's operations are primarily conducted in Ukraine. The political and economic situation in Ukraine has been subject to significant turbulence in recent years and demonstrates characteristics of an emerging market. Consequently, operations in the country involve risks that do not typically exist in other markets.

In the recent years, Ukraine continued to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict in certain parts of Luhansk and Donetsk regions. Amid such events, the Ukrainian economy demonstrated further refocusing on the European Union ("EU") market realizing all potentials of established Deep and Comprehensive Free Trade Area ("DCFTA"), thus effectively responding to mutual trade restrictions imposed between Ukraine and Russia.

Ukraine's economic situation deteriorated significantly since 2014 as a result of the fall in trade with the Russian Federation and military tensions in Eastern Ukraine. Although instability continued throughout 2017 and 2018, Ukrainian economy showed signs of recovery with inflation rate slowing down, lower devaluation of Hryvnia against major foreign currencies, growing international reserves of the National Bank of Ukraine (the "NBU") and general revival in business activity.

In 2017 and 2018, the NBU made certain steps to provide a relief to the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency proceeds subject to mandatory sale on the interbank market was gradually decreased, while the settlement period for export-import transactions in foreign currency was increased. Also, the NBU allowed Ukrainian companies to pay dividends abroad with a certain monthly limitation. At the date these financial statements are authorized for issue, most of these currency control restrictions were rescinded altogether.

The banking system remains fragile due to low level of capital and weak asset quality and the Ukrainian companies and banks continue to suffer from the lack of funding from domestic and international financial markets.

The International Monetary Fund continued to support the Ukrainian government under the four-year Extended Fund Facility Programme approved in March 2015. Other international financial institutions have also provided significant technical support in recent years to help Ukraine restructure its external debt and launch various

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reforms (including anticorruption, corporate law, and gradual liberalization of the energy sector).

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

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

Cyprus business environment

The Cypriot economy has recorded positive growth in 2017 and 2018 after overcoming the economic recession of recent years. The overall economic outlook of the economy remains favourable, however there are still downside risks emanating from the still high levels of non-performing loans, the public debt ratio, as well as possible deterioration of the external environment for Cyprus.

The current economic environment of Cyprus is not expected to have a significant impact on the operations of the Group as the Group does not hold significant funds in Cypriot financial institutions.

On the basis of the evaluation performed, the Group's management has concluded that no additional provisions or impairment charges regarding the impact of environment of Cyprus are necessary. The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

3. Basis of preparation

Statement of compliance

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

Basis of measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investment property and freehold buildings stated at fair value as determined by independent appraisal.

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Normal operating cycle of the Group's property development segment approximates to 36 months; normal operating cycle of the Group's investment property segment equals to 12 months and is classified accordingly.

Going concern basis

As at 31 December 2018 the Group's current liabilities exceeded its current assets by USD 9 493 thousand. In addition, during the year ended 31 December 2018, the Group incurred a net loss of USD 14 932 thousand.

The Group needs to repay USD 41 134 thousand of loans classified within loans and borrowings, liabilities associated with assets held-for-sale and trade and other payables (Notes 24, 25 and 28).

In the end of 2017, the Group commenced negotiations with its largest bank-lender seeking to extend the repayment of debt due in December 2017. In 2018, the Group suggested a restructuring plan to the bank. The plan included the following:

- the part of the finished goods (apartments) that were pledged with the bank as at 31 December 2018 were to be transferred to the bank based on the agreed price;
- the Group would be selling these apartments on the behalf of the bank;
- the Group asked the bank to introduce financing opportunities for the potential customers.

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As at 31 December 2018, completed inventory property, property plant and equipment and investment property with carrying values of USD 10 690 thousand, USD 7 746 thousand and 4 326 USD thousand, respectively, were included into the restructuring plan as collateral with respect to the loan due to this lender (Note 28).

As of the reporting date, the Group's negotiations with its second largest bank-lender were unsuccessful. This lender refused to continue any negotiations with the Group effectively taking over its properties used as a collateral. The Group considers such actions illegal and brought the lender to trial. In 2020 the Group won the trial in Supreme Court of Ukraine. The further development of the situation is however unclear.

Consequently, the Group derecognized the assets and respective part of liabilities resulting from the effective loss of control over the assets.

The Group's financial plan for 2019 anticipates growth in cash inflows from property sales and construction services as compared to 2018. To achieve the increase in positive cash inflow from its operations in 2019 the Group plans the following:

- to sell the completed property and property under development on a pre-payment basis;
- to participate in tenders for rendering of construction services;
- to sell some of the investment properties and property rights.

The Group's ability to continue as a going concern depends upon its capacity to (i) generate sufficient cash flows from its operating activities; (ii) extend the payment terms of, or otherwise restructure, its interest-bearing loans; and (iii) meet the schedule of its other repayments due in 2020.

The actual outcome of the debt restructuring negotiations and the success of the management plan to increase cash inflows from property sales in order to be able to meet scheduled repayments due are uncertain. These conditions represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. 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 over the investee to affect its returns.

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
- The Group's voting rights and potential voting rights

The Group re-assesses 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. 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 statement of financial position and the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2018***(in thousands of US dollars, unless otherwise indicated)*

the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In 2018 the Group started to exercise control over one of its subsidiaries TMM Holding LLC, the take-over was effectively finalized in 2019.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected.

Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events and are considered appropriate under the given circumstances.

(i) Judgments other than estimates

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Classification of property

The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprises buildings (principally offices, commercial warehouses and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

The Group's business model - i.e. the entity's intentions regarding that property - is the primary criterion to consider in determining whether classification as investment property is appropriate.

Operating lease contracts – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as for operating leases.

Revenue recognition – sales of completed inventory property

Revenue from sale of real estate properties comprise revenue from sale of standardized apartments and non-residential property, which are constructed without reference to a specific customer's request.

Revenue from sale of the real estate property is measured at the fair value of the consideration received or receivable, net of allowances and trade discounts, if any. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, which is usually when the customer has accepted the property and received physical access to the property, recovery of the consideration is probable, the associated costs and possible return of property can be estimated reliably, and there is no continuing management involvement with the property, and the amount of revenue can be measured reliably.

Revenue from the sale of real estate property is recognized when construction is complete and the property is transferred to the customer.

Sales are recognized at prices valid at the date of concluding the sales contract, which may be significantly different from the prices as at the date when the sale is recognized.

(ii) Estimates and Assumptions

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Estimation of net realizable value for inventory

Inventory is stated at the lower of cost and net realizable value (NRV). NRV is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable advice and in the light of recent market transactions.

Allowance for doubtful accounts

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. The Group uses an allowance matrix to calculate expected credit losses for trade and other receivables. The allowance rates are based on days past due for groupings of various customer segments that have similar loss patterns. The allowance matrix is based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience for forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and in forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Valuations of freehold buildings and investment properties

Freehold buildings and investment properties are stated at fair value as at the reporting date. In the case of significant changes in market prices, the fair value of freehold buildings and investment properties is determined by independent real estate valuation experts. Freehold buildings and investment properties are valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. Besides, in arriving at their estimates of market values, the valuers also use their market knowledge and professional judgement. Valuation of freehold buildings and investment properties is within level 2 of the fair value hierarchy.

Weak liquidity and the poor conditions prevailing in the Ukrainian property market (Note 2) may impose objective limitation on the inductiveness of the market quotes used as source data for valuation. The lack of liquidity in capital markets also means that, if it was intended to dispose of the property, it may be difficult to achieve a successful sale of freehold buildings and investment properties in the short-term at their fair values.

Taxes

The Ukrainian tax legislation and other regulatory framework, in particular, the currency control and customs legislation, continue to change. Legislation and regulations are not always clearly formulated and can be interpreted differently by local, regional and central government bodies and other government authorities. Inconsistent interpretations are not unusual. The management believes that its interpretation of provisions of the legislation, regulating the Company's business, is correct and that the Company has complied with all the regulatory provisions, and all the taxes and fees, provided for by the law, have been paid or accrued. More details are provided in Note 27.

Useful lives of the freehold buildings

The Group's freehold buildings are depreciated over their estimated useful lives to their estimated residual values. The Group exercises significant judgment in determination of the estimated useful lives of the freehold buildings. Both the estimated useful life and the residual value are reviewed at least at each financial year-end.

5. Summary of significant accounting policies

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

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When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation of and the portion of the CGU retained.

Functional and presentation currencies

The Group's presentation currency and the functional currency of the parent company is the US dollar ("USD"). The functional currency of the Company's Ukrainian subsidiaries is the Ukrainian hryvnia ("UAH").

The exchange rates for foreign currencies, in which the Group's financial assets and liabilities were denominated, against the UAH, as declared by the National Bank of Ukraine as at the dates stated, were as follows:

	USD	EUR
Average for 2017	26.60	30.08
31 December 2017	28.07	33.50
Average for 2018	27.22	32.13
31 December 2018	27.69	31.71
The date that these financial statements are authorized for issue	28.25	34.57

At each reporting date, the assets and liabilities of each company are translated into the Group's presentation currency at the rate of exchange at the reporting date. The revenues and expenses for the year or, if shorter, the period of each company participation in the Group are translated at the foreign exchange rates which approximate the date of transaction.

The difference arising on retranslation from each of the companies' functional currencies into the Group's presentation currency is shown as a currency translation difference in OCI. The translation of the UAH denominated assets and liabilities into USD as at 31 December 2018 and 2017 does not indicate that the Group could realize or settle the translated values of those assets and liabilities in USD.

Foreign currency translation

Transactions denominated in currencies other than the relevant functional currency (foreign currencies) are initially recorded in the functional currency at the rate in effect at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the reporting date. Non-monetary items that were measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined. The resulting gains and losses are recognised in profit or loss for the period.

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Fair value measurement

The Group measures regularly non-financial assets such as freehold buildings and investment properties at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Share capital

The Company's share capital is stated at the nominal amount of the issued shares. The difference between the fair value of the consideration received and the nominal value of the share capital being issued is taken to the share premium account.

Financial assets

Initial recognition

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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- 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:

- 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 other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The Group's financial assets include cash and cash equivalents and trade and other receivables, all classified as financial assets at amortised cost.

Subsequent measurement of financial assets at amortised cost

Financial assets at amortised cost 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 recognised in profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

The Group uses an 'expected credit loss' (ECL) model for measuring impairment of financial assets. The ECL model applies to financial assets at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

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 measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

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- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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.

Presentation of impairment

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

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and other comprehensive income.

Impairment losses on other financial assets are presented under 'finance costs' and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations.

Cash and cash equivalents

Cash and cash equivalents include cash on bank accounts, cash on hand and non-impaired short-term deposits with a maturity of up to three months as at the reporting date.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above less unpaid bank overdrafts.

Financial liabilities

Initial recognition and measurement

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, less directly attributable transaction costs. The Group's financial liabilities include loans and borrowings, and trade and other payables, all classified as "other financial liabilities".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2018***(in thousands of US dollars, unless otherwise indicated)****Subsequent measurement of loans and borrowings***

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in the statement of profit or loss and comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss and comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Property, plant and equipment***Plant and equipment***

Property, plant and equipment are stated at cost or deemed (contingent) cost (for assets, acquired before the date of transition to the IFRS), less accumulated depreciation and impairment losses.

Deemed cost of property, plant and equipment is mainly determined at amortized cost of replacement, taking into account economic impairment, based on the results of an independent evaluation.

Cost of property, plant and equipment includes expenses, related to replacement of a part of property, plant and equipment, recognized on the fact of occurrence, if they meet the criteria of recognition. Similarly, when carrying out basic technical inspections, expenses for them are recognized in the carrying amount of property, plant and equipment as the replacement cost, if all the criteria, required for such recognition, are met. All other repairs and maintenance expenses are shown in profit or loss as incurred.

The carrying amount of property, plant and equipment is reviewed for impairment, when certain events or changes in circumstances indicate that the carrying amount of asset cannot be reimbursed. In case of asset's impairment, exceeding its carrying amount over the reimbursed value, the value of such cash generating asset or unit is written-off to the expected reimbursement. The expected reimbursement value of assets is determined as the higher of the two values: the net sale price of asset or the use value of asset.

Freehold buildings

Freehold buildings are measured at revalued amount, representing fair value less accumulated depreciation on buildings and impairment losses recognized after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss for the period, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss for the period, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve in equity.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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For the purpose of further constructions of owner-occupied premises, the Group acquired certain land plots in the Kyiv region. Freehold land is measured at cost less impairment losses. Land is not depreciated. Certain companies of the Group have the right to the permanent use of the land on which they are located or are leasing land under long-term lease agreements from local state authorities. This land is the property of the state and, therefore, is not included in the consolidated financial statements.

Construction in progress

Assets in the process of construction are capitalized as a separate component of property, plant and equipment. Construction in progress includes cost of construction works, cost of engineering works, other direct costs and an appropriate proportion of production overheads. On completion, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use. Construction in progress is stated at cost less impairment.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Depreciation

Depreciation is charged on a straight-line basis over the expected useful life of each asset. The average useful life for each asset is as follows:

• Freehold buildings	50 years
• Heavy construction equipment	20 years
• Production, construction and research equipment	8 years
• Vehicles	6 years
• Office and computer equipment	4 years

The useful life of an asset is defined in terms of the asset's expected utility to the Group and is reassessed at each reporting date.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment property are recognized in profit or loss in the period of retirement or disposal. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2018***(in thousands of US dollars, unless otherwise indicated)*

of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Property development rights

Property development rights represent the rights owned by the Group to lease land plots to be used for further development. Property development rights are stated at cost, being expenses directly attributable to acquisition of such right, less provisions for impairment, where required. Property development rights are not depreciated. Upon the start of development, property development rights are transferred at carrying value to inventories.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset, except for inventories and deferred taxes, may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

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

An impairment loss is recognized if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Inventories

Inventories are valued at less from the two amounts: the actual cost or the net realizable value. The net realizable value represents the projected sale price in the ordinary course of business less any expected future costs, associated with bringing the product to readiness and its sale. The actual cost is predominantly determined on an individual basis, using special valuation methods.

Raw materials

The cost of raw materials is based on the weighted average method principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Completed and under development inventory property

Completed and under development inventory property is property acquired or being constructed for sale in the ordinary course of business, rather than being held for rental or capital appreciation. Completed and under development inventory property are stated at cost based on the individual cost method. Cost includes:

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- freehold and leasehold rights for land;
- planning and design costs, costs of site preparation;
- cost of raw materials;
- labour costs and amounts paid to subcontractors for construction;
- construction overheads allocated proportionately to the stage of completion of the inventory based on normal operating capacity;
- borrowing costs.

The cost of completed and under development inventory property recognized in profit or loss on disposal is determined with reference to the specific costs incurred on inventories sold and an allocation of any non-specific costs based on the relative size of the property sold.

Prepayments, contract assets and contract liabilities

Prepayments and contract assets are recognized on an undiscounted basis, stated at cost less impairment. Contract liabilities are recognized on an undiscounted basis and stated at cost unless the contract contains a significant financing component, such as in contracts for sale of apartments.

The significant financing component in advances for apartments is recognized as interest expense and capitalized in the cost of inventory property, as the nature of these advances is financing of the construction of apartments. To determine the interest expense the Group uses the discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of profit or loss and comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent assets and liabilities

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Taxes

Value-added tax

Income, expenses and assets are recognized net of the amount of value-added tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- prepayments and advances received are stated net of VAT.

The net amount of VAT recoverable from, or payable to, the tax authority is disclosed in the notes to the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2018***(in thousands of US dollars, unless otherwise indicated)***Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2018***(in thousands of US dollars, unless otherwise indicated)****The Group as a lessee***

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue recognition

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, the following specific recognition criteria must also be met:

Sale of constructed real estate properties

Revenue from sale of real estate properties comprise revenue from sale of standardized apartments and non-residential property, which are constructed without reference to a specific customer's request.

The Group satisfies its performance obligations under the sales contract at a point in time, by transferring the property (an asset) to the customer. The asset is transferred, and thereby revenue is recognized, when (or as) the customer obtains control of that asset, which is usually when the customer has accepted the property and received physical access to the property, recovery of the consideration is probable, the associated costs and possible return of the property can be estimated reliably, there is no continuing management involvement with the property, and the amount of revenue can be measured reliably.

Revenue from sale of real estate property is measured at the fair value of the consideration received or receivable, net of allowances and trade discounts, if any.

Sales are recognized at prices valid at the date of concluding the sales contract, which may be significantly different from the prices as at the date when the sale is recognized.

Rendering of utility services

Revenue from rendering of services is recognised over time as those services are provided. Revenue from utility services is recognized on a net basis in arrangements where the Group acts as an agent, and on a gross basis where the Group acts as a principal.

Invoices for utility services are issued on a monthly basis and are usually payable within 30 days. The total consideration in the service contract is allocated to all services based on their standalone selling prices. The standalone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

Rental income

Rental income receivable under operating leases is recognized on a straight-line basis over the term of the lease, except for contingent rental income which is recognized when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2018***(in thousands of US dollars, unless otherwise indicated)*

Premiums received to terminate leases are recognized in profit or loss for the period when they arise.

Comparatives

In order to comply with the requirements of IFRS and to meet the objective of providing information that is useful in making economic decisions the Group can adjust the corresponding figures to conform to the presentation of the current year amounts. Certain comparatives in the notes were amended to adjust to current period presentation.

6. Adoption of new standards and interpretations

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. Adoption of these standards has no material impact on the Group's equity as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The impact of the adoption of IFRS 15 on the consolidated financial statements was as follows:

	Note	Amounts without adoption of IFRS 15	Adjustments	Amounts after adoption of IFRS 15
Accumulated deficit		(51 647)	(775)	(52 422)
Total equity		15 060	(775)	14 285
Contract liabilities	26	15 191	775	15 966
Current liabilities		74 803	775	75 578
Total liabilities		78 934	775	79 709
Total equity and liabilities		93 454		93 454

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 product/service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Sales of real estate properties (standardized apartments and non-residential property)	The Group satisfies the performance obligation at a point in time by transferring the property (an asset) to the customer. The asset is transferred when (or as) the customer obtains control of that asset.	IFRS 15 did not have a significant impact on the Group's accounting policies except for the financing component in respect of the long-term contract liabilities.
Income from utility services. Rental income from investment properties	Revenue is recognised over time as those services are provided. Invoices for utility services are issued on a monthly basis and are usually payable within 30 days. Under IFRS 15, the total consideration in the service contract is allocated to all services based on their standalone selling prices. The standalone selling price is determined based on the list prices at which the Group sells the services in separate transactions.	IFRS 15 did not have a significant impact on the Group's accounting policies, as the Group records revenue on a monthly basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2018***(in thousands of US dollars, unless otherwise indicated)***IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The impact, net of tax, of transition to IFRS 9 on the opening balance of reserves and retained earnings is not material.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(iii) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is as follows.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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:

- 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 other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets 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.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 is not material. Under IAS 39 Group's financial assets were classified as loans and receivables. Implementation of IFRS 9 led to change in classification of all Group's financial assets as financial assets at amortised cost.

(iv) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, 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 measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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.

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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 and debt securities at FVOCI 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.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and other comprehensive income. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations.

(v) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2018 and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations and financial statements. The Group plans to adopt these standards and interpretations when they become effective.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4, SIC-15 and SIC-27. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting is similar to the current standard, lessors continue to classify leases as finance or operating leases.

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The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group might recognise new assets and liabilities for its operating leases of land. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions.

Transition

As a lessee, the Group can apply the standard using either a retrospective approach or a modified retrospective approach with optional practical expedients. The lessee applies the election consistently to all of its leases.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

Various Other Changes to IFRS

The following new or amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

- IFRS 17 Insurance Contracts
- Interpretation of IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS 9 – Prepayment features with negative compensation
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-Term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Employee benefits – Plan Amendment, Curtailment or Settlement
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for the determination of materiality
- Annual Improvements to IFRS (cycle 2015 – 2017)

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7. Revenue

Revenue comprised:

	2018	2017
Sales of completed inventory property	8 807	7 879
Utility services income	2 911	2 826
Rental income from investment properties (Note 17)	1 932	1 413
Construction and transportation services	1 666	2 136
Other	1 732	2 089
	<u>17 048</u>	<u>16 343</u>

8. Cost of revenue

Wages and salaries and social security taxes included in the cost of revenue for the year ended 31 December 2018 amounted to USD 2 322 thousand and USD 505 thousand, respectively (2017: USD 863 thousand and USD 186 thousand, respectively).

Depreciation included in cost of revenue for the year ended 31 December 2018 amounted to USD 805 thousand (2017: USD 727 thousand) (Note 16).

9. Other operating income

Other operating income comprised:

	2018	2017
Write-off of accounts payable	4 359	-
Reversal of written-off receivable balances	55	793
Other	149	192
	<u>4 563</u>	<u>987</u>

PJSC TMM-Energobud was liquidated according to the minutes of the meeting of the creditors' committee in case №923 / 436/17 on bankruptcy on September 18, 2018. Based on this, accounts payable to the specified supplier were written off in the amount of 1 784 USD thousand.

10. General and administrative expenses

General and administrative expenses comprised:

	2018	2017
Insurance	965	32
Wages and salaries	750	666
Social security taxes	144	109
Taxes, other than income tax	172	237
Professional services	75	93
Depreciation (Note 16)	44	17
Audit fees	35	37
Communication costs	31	31
Bank charges	9	11
Other	199	222
	<u>2 242</u>	<u>1 455</u>

Average number of staff employed by the Group in 2018 and 2017 was 552 and 574, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2018***(in thousands of US dollars, unless otherwise indicated)***11. Selling and distribution expenses**

Selling and distribution expenses comprised:

	2018	2017
Advertising	155	153
Wages and salaries	101	100
Social security taxes	22	22
Other	87	75
	<u>365</u>	<u>350</u>

12. Other operating expenses

Other operating expenses comprised:

	2018	2017
Loss on disposal of property, plant and equipment and investment properties	17 156	202
Fines and penalties	859	235
Post-construction costs on inventory property	721	367
Impairment allowance on work in progress	206	-
Utility services for unoccupied premises	1	237
Other	358	155
	<u>19 301</u>	<u>1 196</u>

In 2018, the loss on disposal of property, plant and equipment and investment properties comprises the loss on pledged assets derecognized upon their appropriation and sale-out by one of the Group's main lenders (Note 24). From the total amount of USD 17 156 thousand the loss on disposal of investment properties comprises USD 14 848 thousand.

13. Finance costs

Finance costs comprised:

	2018	2017
Interest costs	2 525	4 038
Other finance cost	1 061	-
	<u>3 586</u>	<u>4 038</u>

14. Operating segment information**Identification of reportable segments**

For management purposes, the Group is organized into business units based on their products and services and has the following reportable operating segments:

- Investment property segment – leases residential and commercial property owned by the Group;
- Property development and construction segment – builds and sells residential and commercial property, renders construction services.
- Utility services segment – provides utility services to tenants.

An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result, where segment result is determined as gross profit plus change in fair value of investment properties, selling and distribution expenses.

Information regarding segment assets and liabilities is not provided to the Board of Directors and therefore is not included in these consolidated financial statements.

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The Group's segmental information was as follows:

As at 31 December 2018	<i>Investment property</i>	<i>Property development and construction</i>	<i>Utility services</i>	<i>Total reportable segments</i>
Revenue				
External customers	1 932	10 473	2 911	15 316
Total revenue	1 932	10 473	2 911	15 316
Results				
Depreciation and amortization		(849)		(849)
Selling and distribution expenses		(365)		(365)
Segment results	1 932	1 970	(844)	3 058
Capital expenditure		15		15
Other material non-cash items:				
- Loss on disposal of property, plant and equipment and investment properties	(17 156)			(17 156)
As at 31 December 2017	<i>Investment property</i>	<i>Property development and construction</i>	<i>Utility services</i>	<i>Total reportable Segments</i>
Revenue				
External customers	1 413	10 015	2 826	14 254
Total revenue	1 413	10 015	2 826	14 254
Results				
Depreciation and amortization	-	(744)	-	(744)
Selling and distribution expenses	-	(350)	-	(350)
Segment results	1 413	(52)	(348)	1 013
Capital expenditure	-	478	-	478
Other material non-cash items:				
- Loss on disposal of property, plant and equipment and investment properties	(202)	-	-	(202)

Major part of unallocated revenues in 2018 relate to sales of other assets and export of agricultural produce.

External customer's revenues are adjusted for differences in the period of recognition.

Inter-segment revenues are eliminated on consolidation.

Capital expenditure consists of additions to property, plant and equipment, investment properties and property development rights. Capital expenditure not reportable to the Board on a segment basis comprises additions to freehold buildings, vehicles, office and computer equipment and construction in progress.

A major part of revenues from external customers relates to residents of Ukraine.

Reconciliation to profit or loss

	2018	2017
Segment results	3 058	1 013
Loss of other operating segments	(1 489)	249
General and administrative expenses	(2 424)	(1 455)
Other operating expenses	(19 301)	(1 196)
Other operating income	4 563	987
Finance costs	(3 586)	(4 038)
Foreign exchange loss, net	1 475	(3 042)
Consolidated loss before tax	(17 705)	(7 482)

Other operating income, general and administrative expenses, other operating expenses, finance income, finance costs and foreign exchange losses are not allocated to individual segments as they are managed on a group basis.

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15. Income tax

The major components of income tax are:

Profit or loss

	2018	2017
Deferred tax relating to reversal and origination of temporary differences	(2 773)	(1 378)
Income tax benefit reported in profit or loss	(2 773)	(1 378)

A reconciliation between the income tax benefit reported in the consolidated financial statements and loss before tax multiplied by the applicable domestic tax rates for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
Loss before tax	(17 705)	(7 482)
At the Company's statutory income tax rate of 12.5%	(2 213)	(935)
Tax effect of non-deductible expenses / non-taxable income in determining taxable profits	411	(145)
Under provided in prior years	-	151
Effect of higher tax rates in Ukraine	(971)	(450)
Income tax benefit/(expense) reported in profit or loss	(2 773)	(1 378)

The Group is subject to taxation in two tax jurisdictions, depending on the residence of its entities (in Ukraine and Cyprus). In 2018 Ukrainian corporate income tax was levied on taxable profit at the rate of 18% (2017: 18%). The tax rate in Cyprus is 12.5% (2017: 12.5%).

Movements in deferred tax position were as follows:

	2018	2017
Deferred tax liability as at 1 January	(3 376)	(4 834)
Charged to profit or loss	2 773	1 378
Foreign currency translation	(95)	80
Deferred tax liability as at 31 December	(698)	(3 376)

Deferred tax assets and liabilities as at 31 December relate to the following items:

	2018	2017
Tax effect of taxable temporary differences:		
Property, plant and equipment, and investment properties	(2 233)	(7 439)
Advances received	(3 339)	(3 280)
Trade and other payables	(2 847)	(49)
Prepayments made	-	(54)
Other	(142)	-
Gross deferred tax liabilities	(8 561)	(10 802)
Less: Offsetting with deferred tax assets	7 863	7 426
Recognized deferred tax liabilities	(698)	(3 376)
Tax effect of deductible temporary differences:		
Inventories	2 780	3 084
Taxes payable	111	-
Property development rights	453	453
Property, plant and equipment, investment properties and other classified as held-for-sale	135	181
Prepayments made	627	-
Other	1 967	1 918
Tax losses carried forward	1 790	1 790
Gross deferred tax assets	7 863	7 426
Less: Offsetting with deferred tax liabilities	(7 863)	(7 426)
Net deferred tax liability	(698)	(3 376)

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16. Property, plant and equipment

Cost or fair value:	Freehold land	Freehold buildings	Heavy construction equipment	Production, construction and research equipment	Vehicles	Office and computer equipment	Construction in progress	Total
At 1 January 2018	2 323	21 338	2 425	1 884	233	448	203	28 854
Additions	-	-	1	14	-	30	375	420
Disposals	-	(15 120)	-	(10)	-	(9)	(85)	(15 224)
Transfer to assets held-for-sale	(1 955)	(6 318)	-	-	-	-	-	(8 273)
Other transfers	-	-	16	254	-	-	(270)	-
Translation difference	65	658	1	23	3	6	2	758
At 31 December 2018	433	558	2 443	2 165	236	475	225	6 535
Accumulated depreciation:								
At 1 January 2018	-	(906)	(859)	(1 456)	(189)	(414)	-	(3 824)
Depreciation charge for the year	-	(467)	(202)	(143)	(9)	(28)	-	(849)
Disposal	-	939	-	10	-	9	-	958
Transfer to assets held-for-sale	-	392	-	-	-	-	-	392
Translation difference	-	(27)	(8)	(18)	(3)	(3)	-	(59)
At 31 December 2018	-	(69)	(1 069)	(1 607)	(201)	(436)	-	(3 382)
Net book value								
At 31 December 2018	433	489	1 374	558	35	39	225	3 153

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16. Property, plant and equipment (continued)

Cost or fair value:	Freehold land	Freehold buildings	Heavy construction equipment	Production, construction and research equipment	Vehicles	Office and computer equipment	Construction in progress	Total
At 1 January 2017	2 398	22 026	2 104	1 902	249	447	221	29 347
Additions	-	26	382	96	20	22	19	565
Disposals	-	(16)	(14)	(34)	(29)	(6)	(25)	(134)
Transfers from assets held for sale	-	-	41	-	-	-	-	41
Translation difference	(75)	(688)	(88)	(80)	(7)	(15)	(12)	(965)
At 31 December 2017	2 323	21 338	2 425	1 884	233	448	203	28 854
Accumulated depreciation:								
At 1 January 2017	-	(468)	(697)	(1 395)	(217)	(402)	-	(3 178)
Depreciation charge for the year	-	(478)	(202)	(141)	(7)	(18)	-	(846)
Disposal	-	1	8	30	29	5	-	73
Transfers from assets held for sale	-	39	32	50	6	-	-	127
At 31 December 2017	-	(906)	(859)	(1 456)	(189)	(414)	-	(3 824)
Net book value								
31 December 2017	2 323	20 432	1 566	428	44	34	203	25 030

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16. Property, plant and equipment (continued)

As at 31 December 2018 and 2017 freehold land comprises the land to be used for the construction of owner-occupied premises and inventory property; freehold buildings include apartments, parking places and workshops used by the Group for own purposes.

Depreciation

Total depreciation charge for the years ended 31 December 2018 and 2017 was as follows:

	2018	2017
Cost of revenue (Note 8)	805	727
Inventories	-	102
General and administrative expenses (Note 10)	44	17
Total depreciation charge	849	846

Pledged assets

As at 31 December 2018 freehold land and buildings with a carrying value of USD 2 778 thousand (31 December 2017: USD 19 792 thousand) were pledged as collateral with respect to loans and borrowings (Note 24). Also, as of 31 December 2018, the Group transferred part of its pledged property, plant and equipment into assets held-for-sale (Note 28).

In 2018, the items of property, plant and equipment with net book value of USD 9 398 were derecognized because the Group lost control over them (Note 3).

Revaluation of freehold buildings

The latest valuation of freehold buildings was performed by an independent appraiser as at 31 December 2015. As at 31 December 2015, the Group engaged an independent appraiser to determine the fair value of its freehold buildings. Freehold buildings were valued using the market comparable approach. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. Key assumptions relate to the condition, quality and location of buildings used as comparatives. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property.

As of the reporting date, the Group performed analysis of potential changes in fair value for property, plant and equipment. The Group made an analysis of annual change in major macro indexes, real estate prices and changes in pattern of usage of the Group property, plant and equipment. Additionally, the Group involved an independent appraiser for analysis of real estate prices for comparable properties. Based on the analysis performed, the Group concluded that there were no significant changes from prior year in the fair value of property, plant and equipment as at 31 December 2018 and as such no revaluation is required.

If freehold buildings were measured using the cost model, the total carrying amount of freehold buildings would be USD 23 thousand as at 31 December 2018 (2017: USD 4 196 thousand).

17. Investment properties

Investment properties comprise several commercial properties held for capital appreciation or to earn rentals or both. Changes in investment properties during the year were as follows:

	2018	2017
At 1 January	24 448	25 241
Additions	-	12
Disposals	(5 008)	(17)
Transfer to / (from) investment properties	(13 176)	-
Translation difference	654	(788)
At 31 December	6 928	24 448

Investment properties are stated at fair value and are presented as Level 2 of the fair value hierarchy.

Fair value of investment properties has been determined based on valuations performed by an independent valuator

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as at 31 December 2015.

Fair value is determined by reference to market-based evidence, which means that valuations performed by the valuator are based on active market quotes, adjusted for any difference in the nature, location or condition of the specific property.

As of the reporting date, the Group performed analysis of potential changes in the fair value of investment property, including an internal analysis of annual changes in major macro-economic indexes and real estate prices. Based on the analysis performed, the Group concluded that, as at 31 December 2018, there were no significant changes from prior year in the fair value of investment property and no revaluation is therefore required.

As at 31 December 2018, investment properties used as collateral under the Group's loans were transferred to the assets held-for sale (Note 28). As at 31 December 2017, investment property in the amount of USD 18 734 thousand was used as collateral under the Group's loans (Note 24).

During 2018, investment property rentals of USD 1 896 thousand (2017: USD 1 413 thousand) were included in revenue (Note 7).

18. Property development rights

Property development rights as at 31 December were as follows (by project):

<i>Project name</i>	<i>Project location</i>	<i>Project type</i>	<i>2018</i>	<i>2017</i>
Arabatska strilka	Kherson	Resort	1 253	1 236
Satellite Town	Kyiv	Residential	1 133	1 118
Korchagintsev	Kharkiv	Residential	241	237
Tisa	Carpathians	Resort	92	92
Lubyanka	Kyiv	Land plots	43	43
			<u>2 762</u>	<u>2 726</u>

19. Inventories

Inventories as at 31 December consisted of the following:

	<i>2018</i>	<i>2017</i>
Inventory property under development	7 103	7 403
Completed inventory property	6 735	17 985
Goods for resale	3 368	1 369
Raw materials	2 006	2 884
Other inventories	157	67
	<u>19 369</u>	<u>29 708</u>

Inventory property under development

As at 31 December 2018, part of inventory property under development amounting to USD 1 570 thousand was included in the restructuring plan with the bank. According to the restructuring plan the property once completed has to be sold within 3 months to repay the loan. If the property is not sold within the specified period the ownership rights for the mentioned property are transferred to the bank.

As at 31 December 2017, part of inventory property under development amounting to USD 1 480 thousand was pledged as collateral with respect to loans received (Note 24).

Inventory property under development as at 31 December was as follows (by project):

<i>Project name</i>	<i>Project location</i>	<i>Project type</i>	<i>2018</i>	<i>2017</i>
Sonyachna brama	Kyiv	Mainly residential	6 791	5 938
Other	Various	Residential	312	1 465
			<u>7 103</u>	<u>7 403</u>

During 2018 there were no borrowing costs capitalized into inventory property under development (2017: USD 576

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thousand). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 10% (2017: 10%).

Completed inventory property

Completed inventory property as at 31 December was as follows (by project):

<i>Project name</i>	<i>Project location</i>	<i>Project type</i>	<i>2018</i>	<i>2017</i>
Alter Ego	Kyiv	Residential	4 780	-
Sonyachna brama	Kyiv	Residential	1 080	15 179
Kaskad	Kharkiv	Residential	168	890
Green Town	Kharkiv	Residential	272	532
Ultra	Kharkiv	Residential	143	162
Edelweiss	Kharkiv	Residential	147	509
Triumph	Kyiv	Residential	97	276
Karat	Kharkiv	Residential	39	127
Other	Various	Various	9	310
			6 735	17 985

As at 31 December 2018, completed inventory used as collateral under the Group's loans was transferred to the assets held-for sale (Note 28). As at 31 December 2017, completed inventory in the amount of USD 11 797 thousand was used as collateral under the Group's loans (Note 24).

20. Receivable under the investment agreement

Changes in receivable under the investment agreement were as follows:

	<i>2018</i>	<i>2017</i>
At 1 January	5 123	5 287
Recognized during the year	1	-
Transferred to finished goods	(4 861)	-
Translation difference	152	(164)
At 31 December	415	5 123

In December 2015, the Group sold inventory property under development "Laboratoryi provulok" to a third party in exchange for 28% of constructed premises which were completed in 2018. As at 31 December 2017, the Group recognized a receivable under the investment agreement in the amount of USD 4 753 thousand representing a consideration of 28% of premises to be constructed.

In August 2016, the Group sold property development rights under development "Bereznevyi" to a third party in exchange for 13% of constructed premises to be completed in future periods. As at 31 December 2018, the Group recognized a receivable under the investment agreement in the amount of USD 415 thousand (2017: USD 370 thousand) representing a consideration of 13% of premises to be constructed.

The sales were considered as a sale in exchange for dissimilar goods. Revenue was measured at the fair value of the asset given up that approximated the costs incurred up to the date of the sale and presented on a net basis in the consolidated statement of profit or loss and other comprehensive income.

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21. Trade and other receivables

Trade and other receivables as at 31 December consisted of the following:

	2018	2017
Trade receivables	2 463	1 873
Notes receivable	96	206
Loans to employees	1 193	152
Other	510	460
	4 262	2 691
Less: allowance for impairment	(1 178)	(1 409)
	3 084	1 282

Trade and other receivables are non-interest bearing and are repayable in the normal course of business.

Changes in the allowance for impairment of trade and other receivables during the year were as follows:

	2018	2017
At 1 January	1 409	1 503
Charge for the year	(40)	110
Recovery of bad debts	(125)	(109)
Write-off	-	(50)
Translation difference	(66)	(45)
At 31 December	1 178	1 409

As at 31 December, the ageing analysis of trade and other receivables is as follows:

	2018	2017
Past due but not impaired		
- less than 30 days	3 084	1 282
- more than 30 days	-	-
	3 084	1 282
Neither past due nor impaired	-	-
	3 084	1 282

The Group's exposure to credit and currency risks, as well as impairment losses related to trade and other receivables, are disclosed in Note 31.

22. Prepayments made

Prepayments made as at 31 December were as follows:

	2018	2017
Prepayments for construction materials and services	1 191	5 750
Less: allowance for impairment	(753)	(763)
	438	4 987

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23. Issued capital and reserves

Share capital

As at 31 December 2018 and 2017, the Group's issued and paid-in share capital comprised 51 084 235 ordinary shares with a par value of USD 0.01 each. As at 31 December 2018 and 2017, the Company's total authorized share capital comprised 100 000 000 shares.

Share premium

On 29 May 2007, the shares of TMM Real Estate Development plc were admitted for trading on the Frankfurt Stock Exchange. As a result of the offering, 6 792 165 shares were sold. The issue price was EUR 11.65 (USD 15.45). Total proceeds for sold shares and related transaction costs amounted to EUR 79 129 thousand (USD 104 939 thousand) and EUR 3 165 thousand (USD 4 198 thousand), respectively. Surplus of the issue proceeds less transaction costs over par value of issued additional ordinary shares represents share premium.

Additional paid-in capital

Additional paid-in capital is used to record additional contributions in kind made by the Company's shareholders.

Revaluation reserve

Revaluation reserve is used to record increases in the fair value of freehold buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity.

Translation reserve

Translation reserve is used to record exchange differences arising from the translation of the consolidated financial statements to presentation currency.

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

The share premium, revaluation reserve and translation reserve are not distributable reserves by way of dividend.

24. Loans and borrowings

Loans and borrowings as at 31 December consisted of the following:

	2018	2017
<i>Current</i>		
Bank loans	106	48 538
Loans from shareholders	233	485
Other loans	-	37
Supplier credits	-	28
	339	49 088
<i>Non-current</i>		
Supplier credits	218	215
	-	215
	557	49 303

Changes in loans and borrowings during the year were as follows:

	2018	2017
At 1 January	49 303	48 293
Repayment of bank loans	(3 123)	(1 641)
Transfer to liabilities associated with assets held-for-sale	(27 896)	-
Transfer to other payables	(6 720)	-
Extinguishment of liability	(11 495)	-
Interest accrued	2 525	4 614
Interest paid	(1 167)	(3 460)
Translation difference	(870)	1 497
At 31 December	557	49 303

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Interest rate and currency split for major interest-bearing loans and borrowings were as follows:

	Nominal interest rate	Contractual maturity	2018	2017
UAH loan from a Ukrainian bank	10% - 23%	On demand/Partly on demand and partly due in 2016	-	28 984
EUR loan from a Ukrainian bank	10%	Due in 2021	-	19 554

The Group's exposure to currency and interest rate risks related to loans and borrowings is disclosed in Note 32.

As at 31 December 2018, the Group presented its UAH-denominated loan within liabilities associated with assets held-for-sale based on the restructuring agreement signed with the bank in 2019. The negotiations about restructuring were deeply under way as of 31 December 2018 (Note 28).

Extinguishment of liability relates to the Group's EUR-denominated loan, described below in this Note.

As at 31 December 2018, the Group presented its EUR-denominated loan within trade and other payables in the amount net of the net selling value of the assets sold-out by the bank (Note 25). As at 31 December 2018, the Group derecognized the respective assets appropriated by the bank (Note 3).

As at 31 December 2017, the Group did not comply with financial covenants and other provisions of a loan amounting to USD 19 554 thousand, including interest payable of USD 1 823 thousand. As a result of breach of these covenants, the creditor had a right to demand immediate repayment of this loan balance. As at 31 December 2017, the loan was treated as on demand due to the overdue payable, non-compliance with financial covenants and other provisions of this loan. As at 31 December, loans and borrowings were secured as follows:

Type of collateral	2018	2017
Property, plant and equipment (Note 16)	2 778	19 792
Investment properties (Note 17)	-	18 734
Inventories (Note 19)	-	13 277
	2 778	51 803

As at 31 December 2018, loans and borrowings are also secured with property rights for future revenues in the amount of USD 222 thousand (31 December 2017: USD 219 thousand).

25. Trade and other payables

Trade and other payables as at 31 December consisted of the following:

	2018	2017
EUR denominated payable due to Ukrainian bank	6 720	-
UAH denominated payable due to Ukrainian bank	2 510	-
Trade accounts payable	2 349	4 726
Payables for goods purchased for resale	1 806	639
Due to employees	992	543
Other	1 031	897
	15 408	6 805

As of 31 December 2018, the Group transferred the remaining balance of EUR denominated loans due to one of the major Group's lenders, to payables after the appropriation of the Group's assets by the mentioned bank. The remaining balance of payable due to this bank was calculated after deducting the value of the assets sold-out by the bank from the balance of the loan. The Group incurred a loss in the operation of the forced sale by the lender (Note 12).

The Group considers the Bank's actions as illegal and brought the lender to trial. The Group brought the lender to trial and in 2020 won it in Supreme Court of Ukraine.

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The Group's exposure to currency risk related to trade and other payables is disclosed in Note 31.

26. Contract liabilities

Contract liabilities as at 31 December were as follows:

	2018	2017
Advances for apartments and non-residential property	10 139	14 172
Other	2 824	1 019
	<u>12 963</u>	<u>15 191</u>

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information was not restated (Note 6).

27. Taxes payable, other than income tax

Taxes payable, other than income tax as at 31 December consisted of the following:

	2018	2017
Value added tax payable	4 139	3 397
Payroll related taxes	148	124
Miscellaneous taxes	107	97
	<u>4 394</u>	<u>3 618</u>

28. Assets held-for-sale

In 2019, the Group signed a restructuring agreement with one of its major lenders (Note 33). As of 31 December 2018, the negotiations with the lender were under way and accordingly the Group decided to present the respective part of its assets and liabilities under assets held-for-sale and liabilities associated with assets held-for-sale lines in its statement of financial position. The event was considered as an adjusting post balance sheet event in accordance with the IAS 10 "Events after the Reporting Period".

The Group agreed to transfer the following assets to the lender:

			2018	2017
Completed inventory property				
<i>Project name</i>	<i>Project location</i>	<i>Project type</i>		
Sonyachna brama	Kyiv	Residential	10 098	-
Kaskad	Kharkiv	Residential	559	-
Aviator	Kyiv	Residential	26	-
Ultra	Kharkiv	Residential	7	-
			<u>10 690</u>	-
Property, plant and equipment, net book value				
<i>Group</i>	<i>Location</i>			
Freehold buildings	Kyiv, Kharkiv		5 825	-
Freehold land	Kyiv region		1 921	-
			<u>7 746</u>	-
Investment property			4 326	-
			<u>22 762</u>	-

As of 31 December 2018, all assets held-for-sale as presented above were used as a collateral for the UAH-denominated loan included in the liabilities associated with the assets held-for-sale

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The Group is going to discharge the loan due from a Ukrainian bank upon the disposal of the abovementioned assets:

UAH-denominated loan	Interest rate	2018	2017
	13% - 23%	25 987	-
		25 987	-

After the reporting date, upon signing of the restructuring agreement and subsequent transfer of the Group's assets to one of its lenders, the Group signed a "lease-back" contract for the part of its assets with net book value of USD 4,752 as of 31 December 2018 (Note 33). These assets are essential for the Group's future operations.

29. Related party disclosure

Transactions with related parties for the years ended 31 December were as follows:

	Revenue	Other operating income	Other operating expenses
2018			
Entities under common control	-	-	-
Other related parties	1	-	-
	1	-	-
2017			
Entities under common control	11	793	-
Other related parties	4	-	842
	15	793	842

Outstanding balances as at 31 December due from / to related parties were as follows:

	Trade and other receivables	Prepayments	Trade and other payables	Contract liabilities	Loans and borrowings
2018					
Entities under common control	-	-	1	-	-
Other related parties	4	-	4	-	195
	4	-	5	-	195
2017					
Entities under common control	8	4 411	2 682	4 276	-
Other related parties	3	-	373	2	485
	11	4 411	3 055	4 278	485

The Company's parent and ultimate controlling party are disclosed in Note 1. The Company's parent does not produce publicly available financial statements.

Compensation to key management personnel

In 2018, the total short-term employee benefits to key management personnel comprised wages and salaries and respective social security taxes in the amount of USD 208 thousand (2017: USD 264 thousand) and were included in general and administrative expenses.

Trade and other payables to other related parties as at 31 December 2018 included remuneration to key management personnel payable amounting to USD 377 thousand (2017: USD 372 thousand).

Terms and conditions of transactions with related parties

Prices for related party transactions are determined on an ongoing basis.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

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30. Contingencies and commitments

Tax matters

The Group performs most of its operations in Ukraine and 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 retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted 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 it has adequately provided for tax liabilities based on its interpretation of tax legislation and official pronouncements. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. No provisions for potential tax assessments have been made in these consolidated financial statements, except as disclosed in Note 27.

As a result of the events described in Note 2(a), Ukrainian authorities are not currently able to enforce Ukrainian laws on the territory of the Republic of Crimea. Starting from April 2014, this territory is subject to the transitional provisions of tax rules established by the Russian government to ensure gradual introduction of federal laws into the territory. Although these transitional provisions were thought to put certain relief on the entities registered in the Republic of Crimea, interpretations of these provisions by the tax authorities may be different from the taxpayers' view. Management believes that it has adequately provided for tax liabilities based on its understanding of the official pronouncements. In absence of practice of applying new taxation rules by the tax authorities, the effect of potential disagreements in tax treatment of the Group's operations in the Republic of Crimea on the consolidated financial statements cannot presently be determined and can be significant.

As at 31 December 2018 the Group's management estimated that the maximum, other than provided, cumulative tax exposure amounted to USD 1 436 thousand (2017: USD 1 417 thousand).

Transfer pricing

Ukraine

On 1 September 2013 the Law "On Amendments to the Tax Code of Ukraine (Regarding Transfer Pricing)" came into force (the "TP Law"). The TP Law introduces special TP reporting that must be filed with the tax authorities each year. Additionally, the tax authorities are entitled to request transfer pricing documentation about controlled transactions. The taxpayers must provide such documentation within one month of receiving this request.

Based on these legislative requirements, the transactions between the Group companies incorporated in Ukraine and related parties are subject to transfer pricing compliance and reporting. The Group companies incorporated in Ukraine should thus file transfer pricing reporting with the tax authorities and be ready to provide relevant transfer pricing documentation at their request.

Considering the recent implementation of these rules, there is no practice of their application by the tax authorities, there can be no assurance that the tax authorities will not have a different interpretation of the Group's approach and assess fines and penalties. In addition, the main difficulties in determining the controlled transactions and reporting is the lack of legislative criteria for determining normal prices for services and interest on loans received from related parties may lead to ambiguous definition of the value of these parameters and expose the Group to fines.

Lease commitments - the Group as a lessee

As at 31 December 2018, the Group entered into lease agreements on a number of land plots in Kyiv, Kharkiv and other regions of Ukraine with the initial lease term of up to 49 years. All agreements include a clause to enable revision of the rent rate on an annual basis according to annual inflation rate. Legal title is not transferred to the Group. In accordance with these agreements substantially all the risks and rewards incidental to ownership of the assets are retained by the owner. Based on this fact, the Group concluded that these lease agreements are operating leases.

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Future minimum lease payments under operating leases as at 31 December are as follows:

	2018	2017
Within 1 year	98	122
From 1 to 5 years	326	425
More than 5 years	1 004	1 233
	<u>1 428</u>	<u>1 780</u>

The table above includes future lease payments in the normal course of execution of contracts, without any business disruptions and delays in payables.

31. Fair value of financial instruments

As at 31 December 2018 and 2017, all financial instruments were measured at amortized cost.

Estimated fair values of financial instruments are determined with reference to various market information and other valuation methodologies as considered appropriate. However, considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Group could realise in a current market situation.

Carrying values of cash and cash equivalents, and trade and other receivables and payables approximate their fair values due to short maturity of these instruments. Both short-term and long-term borrowings have fixed interest rates. UAH and EUR denominated loans are on demand and their carrying values approximate their fair values.

32. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. Main purpose of these financial liabilities is to raise finances for the development of the Group's property portfolio. The Group has trade and other receivables, and cash that arise directly from its operations.

The Group has not entered into any material derivative transactions. It is the Group's policy not to trade in financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out by the Group's financial department. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The policies for managing each of these risks are summarized below.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and from its financing activities, including cash in bank.

Group's cash is primarily held with major reputable banks located in Ukraine and Cyprus. Management continuously monitors financial health of the financial institutions where Group's cash is placed. Credit risk to the Group relates to default of the banks on their obligations and is limited to the balance of cash placed with the banks.

Credit risk attached to the outstanding balance of receivables is limited due to constant monitoring carried out by Group's management of the creditworthiness of corporate customers, and because the Group generally requires a prepayment from non-corporate customers. Also refer to Note 2 for description of operating environment, risks and economic conditions.

The Group's maximum credit risk exposure comprised:

	2018	2017
Cash and cash equivalents	328	99
Trade and other receivables	3 084	1 282
Receivables from investment agreement	415	5 123
	<u>3 827</u>	<u>6 504</u>

Other exposures are monitored and analysed on a case-by-case basis and management believes that credit risk is

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appropriately reflected in impairment allowances recognised against assets.

Interest rate risk

As at 31 December 2018 and 2017, interest bearing liabilities have fixed rates or are overdue (see Note 24), the reasonably possible changes in interest rates could not have a significant impact on profit or loss, or equity. The Group has not entered into any transactions designed to hedge against interest rate risk.

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and customers and bank loans and borrowings.

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted payments:

	Carrying amount	Contractual cash flows	Less than one year	More than one year
2018				
Loans and borrowings	557	557	557	-
Trade and other payables	15 408	15 408	15 408	-
Liabilities associated with assets held-for sale	25 387	25 387	25 387	-
	<u>41 352</u>	<u>41 352</u>	<u>41 352</u>	<u>-</u>
2017				
Loans and borrowings	49 303	49 330	49 102	228
Trade and other payables	6 805	6 805	6 805	-
	<u>56 108</u>	<u>56 135</u>	<u>55 907</u>	<u>228</u>

Foreign currency risk

The Group has transactional currency exposure that relates to monetary assets and liabilities denominated in foreign currencies and are attributable to general volatility in exchange markets. Such exposure arises from sales or purchases by the Group in currencies other than functional currency of the Group's entities. Also, in 2018 significant foreign currency exposure concerned the payables due to one of the major Group's lender denominated in EUR (Note 25). In 2017, the respective balance due to this bank was presented within loans and borrowings line (Note 24). The Group has not entered into any transactions designed to hedge against foreign currency risks.

The following table demonstrates the sensitivity to a reasonably possible change in the corresponding exchange rates, with all other variables held constant, of the Group's profit or loss before tax (due to changes in the carrying value of monetary assets and liabilities). The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in foreign currency exchange rates	Effect on profit or loss before tax
2018		
Increase in EUR exchange rate	5.00%	336
Decrease in EUR exchange rate	(5.00%)	(336)
2017		
Increase in EUR exchange rate	5.00%	801
Decrease in EUR exchange rate	(5.00%)	(801)

Capital risk management

The Group considers debt and shareholders' equity as primary sources of financing. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and further the Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to the Group's access to capital markets.

2018

2017

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Long-term borrowings	218	215
Short-term borrowings	339	49 088
Advances received from customers	12 963	15 191
Less cash and cash equivalents	(328)	(99)
Net debt	13 192	64 395
Total equity attributable to equity holders of the parent	(447)	14 812
Total capital and net debt	12 745	79 207
Gearing ratio	104%	81%

Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy.

During the year ended 31 December 2018 there were no changes to the capital management policy of the Group.

33. Events after the reporting date

On 19 March 2019, the Group restructured its debt with one of its major lenders. According to IAS 10 "Events after the Reporting Period", this event meets the criteria for recognizing an "Adjusting Events", so it was reflected in the financial statements. In accordance with the terms of the restructuring agreement, most of the Company's debt is to be redeemed by transferring the pledged assets as collateral to the bank. The parties will continue to cooperate within the agreement on organization of sales and lease of properties. TMM's debt restructuring was carried out in accordance with the procedure stipulated by the Law of Ukraine on Financial Restructuring, which is aimed at facilitating out-of-court restructuring of financial indebtedness of Ukrainian companies. Upon signing of the restructuring agreement and subsequent transfer of the Group's assets to one of its lenders, the Group signed a "lease-back" contract for the part of its assets with net book value of USD 4,752 as of 31 December 2018. These assets are essential for the Group's future operations.

In 2020, the Group won the trial in Supreme Court of Ukraine with its second largest lender concerning the conditions of the appropriation of the Group's assets by the lender. The Group expects to recover some of its assets or receive compensation for their unduly completed appropriation by the lender. Further development of the situation is however unclear.

As of today, the TMM Group continues to develop the concept of an industrial cluster in the Chornobyl Exclusion Zone. The pilot project will include a gasification plant with a capacity of 300 MW, a chemical plant with a capacity of 400,000 tons of methanol and a thermal power plant with a capacity of 100 MW. The input raw material will be radioactive wood waste, which needs to be disposed of. This project worth more than 2 billion euros will be implemented on the terms of PPP (Public-private partnership). The Group is applying for the role of management company and the main contractor for the construction.

The Group's second ambitious project is the "floating seaport" project with a transshipment capacity of 15 million tons off the Black Sea coast in the 15-kilometer economic zone of Ukraine. The first stage of the project is the design, construction of anchors with the involvement of specialized specialists. The cost of the first stage is over 5 million US dollars. The total cost of the port is about 800 million US dollars.

The COVID-19 pandemic has spread rapidly in 2020 with a significant number of cases in Ukraine and around the world. Measures taken by various governments to contain the virus have affected economic activity.

Among the measures implemented, some restrictions on the movement of people had the restrictive impact on the Group's operating processes. In addition to the Group's operational processes, the pandemic had a significant adverse effect on the financial position of most of its customers in Ukraine.

The Group took the following steps to address the pandemic:

- a number of measures have been taken to ensure the health of employees and tenants (mask regime for certain workers, social distancing, installation of disinfectants in many places accessible to employees and visitors, informing employees about methods of health protection, additional cleaning services etc.).

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Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group might experience further negative results, liquidity restraints and incur additional impairment on its assets in 2020. The exact impact on Group's activities during the remainder of 2020 and thereafter cannot be predicted due to the high degree of uncertainty surrounding the spread of the pandemic in the world and in Ukraine and the impact of the pandemic on the global and Ukrainian economies.

On 29 January 2021 the Board of Directors of TMM Real Estate Development plc approved and authorized these consolidated financial statements for issue.