O1 PROPERTIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019

01 PROPERTIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019

CONTENTS

01 PROPERTIES LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Oleg Myshkin (Appointed 24/04/2019) Eleni Ralaiarisoa (Appointed 11/05/2018) Adina Viviana Szemethy (Appointed 11/05/2018) Evripidis Pavlou (Appointed 11/05/2018) Sophia Demosthenous (Appointed 11/05/2018) Savvas Polyviou (Appointed 11/05/2018) Theonitsa Andriana Constantinou (Appointed 07/08/2019) Dmitriy Mints (Resigned 11/05/2018) Tomasz Zamiara (Resigned 11/05/2018) Andrey Barinskiy (Resigned 11/05/2018) Alexander Ostrovskiy (Resigned 11/05/2018) Timothy Fenwick (Resigned 11/05/2018) Richard Gregson (Resigned 11/05/2018) Alexander Erdman (Resigned 11/05/2018) Norbert Kickum (Resigned 11/05/2018) Konstantin Yanakov (Resigned 11/05/2018) Ioanna Savvidou (Resigned 07/08/2019)
Company Secretary:	Theonitsa Andriana Constantinou
Independent Auditors:	Deloitte Limited Certified Public Accountants and Registered Auditors
Registered office:	18 Spyrou Kyprianou 2nd Floor 1075 Nicosia Cyprus
Bankers:	Bank of Cyprus Plc (closed on 7 July 2019) Sberbank Europe AG Russian Commercial Bank (Cyprus) Ltd (closed on 23 April 2019) Rigensis Bank AS VTB Bank (Europe) SE
Registration number:	HE 272334

MANAGEMENT REPORT

The Board of Directors of O1 Properties Limited or hereafter "the Company" presents its management report and audited financial statements of the Company for the year ended 31 December 2019.

Principal activities
The principal activities of the Company, which are unchanged from last year, are the holding and financing of investments in financial assets at fair value through profit and loss comprising of investments in subsidiaries and associates, operating in the Russian real estate market.

Review of the development and current position of the Company and description of the major risks and uncertainties
The Company's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory, except for the isssues discussed in Note 2, in the light of the current economic environment.

The loss of the Company for the year ended 31 December 2019 was US$ 162,912 thousand (2018: loss of US$ 536,936 thousand) same as total comprehensive expense for the year US$ 162,912 thousand (2018: comprehensive loss of US$ 536,936 thousand).

At 31 December 2019 the total assets of the Company were US$ 672,579 thousand and the total equity was US$ 108,330 thousand (31 December 2018: US$ 694,439 thousand and US$ 271,241 thousand respectively).

The principal risks that both the Company face are market risk, interest rate risk, credit risk, liquidity risk, currency risk, operating risk and capital management risk. Additionally, the uncertain current economic environment in the Russian Federation and Cyprus, could adversely affect the results of the Company.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in Notes 2, 3, and 11 of the financial statements.

Dividends
During 2019 the Board of Directors did not approve the payment of dividends.

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

Share capital
At 31 December 2019 and 31 December 2018 the authorized share capital of the Company was 21,694,704 class "A" shares of nominal value US$ 0.01 each and 200,000,000 class "B" shares of nominal value EUR 0.01 each.
For changes in the issued share capital of the Company please refer to Note 20 to the financial statements.

Board of Directors
The members of the Company's Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1. Ioanna Savvidou, who was director as at 1 January 2019, resigned on 7 August 2019 and on the same date Theonitsa Andriana Constantinou was appointed in her place and also Oleg Myshkin was appointed on 24 April 2019.

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

Significant events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 27 to the financial statements.

Existence of branches
During the year ended 31 December 2019 and 31 December 2018 the Company did not operate through any branches.

Independent Auditors
The Independent Auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution proposing their re-appointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Theonitsa Andriana Constantinou
Secretary

18 December 2020

Deloitte.

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Deloitte Limited
Maximos Plaza
Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus
Mail: P.O. Box 58466
CY-3734 Limassol, Cyprus

Tel: +357 25 86 86 86
Fax: +357 25 86 86 00
infolimassol@deloitte.com
www.deloitte.com/cy

Independent Auditor's Report

To the Members of O1 Properties Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of O1 Properties Limited (the "Company"), which are presented in pages 7 to 51 and comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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 Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, concerning the Company's ability to continue as a going concern. The Company incurred a loss of USD 162 912 thousand during the year ended 31 December 2019 (31 December 2018: loss USD 536 936 thousand) and, as of that date, the Company had net current liabilities of USD 138 785 thousand (31 December 2018: net current liabilities USD 302 717 thousand). The Company is guarantor of the debt of its subsidiary company, O1 properties Finance Pls, which is currently in breach of its two six months bond coupon payments in the amount of USD 29 million and as a result the bondholders have the right to request immediate repayment of the principal amount of US$ 350 million together with accrued interest.

As stated in Note 2, these events or conditions, along with the other matters as set forth in note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report which is presented in pages 2 and 3, but does not include the financial statements and our auditor's report thereon.

Independent Auditor's Report (Continued)

To the Members of O1 Properties Limited

Other information (continued)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Deloitte.

Independent Auditor's Report (Continued)

To the Members of O1 Properties Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report presented in pages 2 and 3 has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 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.

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Demetris Papapericleous
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Limassol, 18 December 2020

01 PROPERTIES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019 US$**	2018 US$
Interest income	5	**16,478,718**	14,692,712
Dividend income	14	**63,097,600**	-
Other income	6	**992,147**	431,890
Net losses from financial assets	7	**(189,088,892)**	(311,566,767)
Administration expenses	8	**(2,823,253)**	(2,700,939)
Financial guarantees and other provisions	21	**(38,586,167)**	(230,214,718)
Operating loss		**(149,929,847)**	(529,357,822)
Net finance costs	9	**(12,981,894)**	(7,578,268)
Loss before tax		**(162,911,741)**	(536,936,090)
Tax	10	**-**	-
Net loss for the year		**(162,911,741)**	(536,936,090)
Other comprehensive income		**-**	-
Total comprehensive expense for the year		**(162,911,741)**	(536,936,090)

The notes on pages 13 to 51 form an integral part of these financial statements.

O1 PROPERTIES LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 US$	2018 US$
ASSETS			
Non-current assets			
Financial assets at fair value through profit and loss	14	**333,065,840**	522,596,919
Loans receivable	16	**126,719,349**	110,659,015
		459,785,189	633,255,934
Current assets			
Trade and other receivables	17	**78,465,812**	57,690,931
Loans receivable	16	**134,216,471**	-
Other investments		**67,680**	89,612
Cash and cash equivalents	18	**44,275**	3,402,257
		212,794,238	61,182,800
Total assets		**672,579,427**	694,438,734
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**1,137,342**	1,137,342
Share premium - ordinary shares	19	**1,183,411,606**	1,183,411,606
Share-based payment reserve		**9,810,321**	9,810,321
Accumulated losses		**(1,086,029,745)**	(923,118,004)
Total equity		**108,329,524**	271,241,265
Non-current liabilities			
Borrowings	20	**212,670,570**	59,297,664
		212,670,570	59,297,664
Current liabilities			
Trade and other payables	22	**72,964,609**	70,616,465
Borrowings	20	**8,100,460**	61,355,243
Current tax liabilities	23	**379**	379
Financial guarantees and other provisions	21	**270,513,885**	231,927,718
		351,579,333	363,899,805
Total liabilities		**564,249,903**	423,197,469
Total equity and liabilities		**672,579,427**	694,438,734

On 18 December 2020 the Board of Directors of O1 Properties Limited authorised these financial statements for issue.

.....
Adina Viviana Szemethy
Director

.....
Theonitsa Andriana Constantinou
Director

The notes on pages 13 to 51 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital US$	Share premium - ordinary shares US$	Share-based payment reserve US$	(Accumulated losses) US$	Total US$
Balance - 1 January 2018 as previously reported	**1,137,342**	**1,183,411,606**	**9,810,321**	**(387,190,914)**	**807,168,355**
Effect of initial application of IFRS 9	-	-	-	(4,583,000)	(4,583,000)
Balance - 1 January 2018	**1,137,342**	**1,183,411,606**	**9,810,321**	**(391,773,914)**	**802,585,355**
Comprehensive expense					
Net expense for the year	-	-	-	(536,936,090)	(536,936,090)
Transactions with owners					
Balance at 31 December 2018/ 1 January 2019	**1,137,342**	**1,183,411,606**	**9,810,321**	**(923,118,004)**	**271,241,265**
Comprehensive expense					
Net expense for the year	-	-	-	(162,911,741)	(162,911,741)
Balance at 31 December 2019	**1,137,342**	**1,183,411,606**	**9,810,321**	**(1,086,029,745)**	**108,329,524**

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

Share premium is not available for distribution in the form of dividend.

01 PROPERTIES LIMITED

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	2019 US$	2018 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(162,911,741)**	(536,936,090)
Adjustments for:			
Unrealised exchange loss/(gain)	9	**1,845,922**	(1,124,015)
Share of profit from joint ventures		**-**	(1,713,000)
Loss from the sale of financial assets at fair value through profit or loss	7	**273,637**	32,539,856
Impairement of available for sale financial assets	7	**21,931**	-
Fair value losses on financial assets at fair value through profit and loss	7	**247,044,526**	183,619,795
Fair value losses on other investments	7	**-**	68,953
(Reversal of impairment)/Impairment of financial assets	7, 11	**(58,251,202)**	96,241,603
Charge to the statement of profit or loss and other comprehensive income for provisions	21	**38,586,167**	231,927,718
Interest income	5	**(16,478,718)**	(14,692,712)
Interest expense	9	**11,895,008**	8,424,496
Net other non-cash (income)/expense		**(1,130,478)**	2,256,224
Cash flows from operations before working capital changes		**60,895,052**	612,828
Increase in trade and other receivables		**(62,702,401)**	(6,186,433)
Increase in derivative financial instruments		**-**	2,143,460
Increase in trade and other payables		**2,348,144**	2,786,281
Net cash flows from / (used in) operating activities		**540,795**	(643,864)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		**(89,004,677)**	(95,579,880)
Loans repayments received		**22,859,561**	57,290,024
Proceeds from sale of investments in financial assets at fair value through profit and loss		**-**	27,720,588
Interest received		**6,390,908**	1,080,000
Net cash flows used in investing activities		**(59,754,208)**	(9,489,268)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		**(60,512,254)**	(107,940,635)
Proceeds from borrowings		**127,091,262**	116,871,725
Interest paid		**(10,723,577)**	(3,730,732)
Proceeds in relation to derivatives		**-**	3,046,900
Net cash flows from financing activities		**55,855,431**	8,247,258
Net decrease in cash and cash equivalents		**(3,357,982)**	(1,885,874)
Cash and cash equivalents:			
At beginning of the year		**3,402,257**	5,288,131
At end of the year	18	**44,275**	3,402,257

The notes on pages 13 to 51 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

2019 Non cash transactions:

1. On 20 June 2019, the Company acquired 100% share capital of a subsidiary company for a total consideration of EUR 1,000 (representing the equivalent of US$ 1,120), purchased with unpaid share capital.

2. On the same date, the Company acquired 100% share capital of a subsidiary company for a total consideration of RUB 10,000 (representing the equivalent of US$ 156), purchased with unpaid share capital.

3. On 30 August 2019, the Company acquired 100% share capital of a subsidiary company for a total consideration of EUR 1,000 (representing the equivalent of US$ 1,108), purchased with unpaid share capital.

4. On 21 August 2019, the Company sold 100% share capital in a subsidiary company to another subsidiary company for a total consideration of RUB 9,300,000 (representing the equivalent of US$ 139,255).

5. During the year 2019 there were net settelements totalling US$ 2,251,988 made by related common ownership parties on behalf of the Company regarding the loan issued to a direct subsidiary company dated 27 March 2012.

6. During the year 2019 there were net settelements totalling US$ 1,286,850 made by related common ownership parties on behalf of the Company regarding the loans from indirectly held subsidiary companies dated 16 December 2011.

7. During the year 2019 there were net settelements totalling US$ 965,138 made by related common ownership parties on behalf of the Company regarding the loan from a direct subsidiary company dated 23 September 2014.

8. During the year 2019 there were net settelements totalling US$ 25,963,171 made by related common ownership parties on behalf of the Company regarding the loan from a indirectly held subsidiary company dated 26 March 2019.

9. During the year 2019 there were net settelements totalling US$ 279,185 made by related common ownership parties on behalf of the Company regarding the loan from a third party bank dated 25 April 2019.

10. On 25 October 2019, the Company resolved to waive its rights arising from the share premium reduction noted above in an amount equal to US$ 227,126,355 to cover the losses accumulated by the Company up to the date, as well as any losses up to the year end.

11. On 24 October 2019, the direct subsidiary company declared interim dividend amounting to US$ 63,097,600 on all the ordinary shares of Euro 1.00 each and on 25 October 2019 the Company approved the interim dividend. The interim dividend amounting to US$ 63,097,600 were fully settled by the transfer to its immediate parent company of 5,000 ordinary shares of nominal value 1.00 Euro each, which constitute 100% of the capital of a subsidiary company.

12. On 25 October 2019, the Company subscribed to additional 1,000 shares in a subsidiary company for a total consideration of EUR 56,640,600 (being an equivalent of US$ 63,097,600). On the same date, the consideration was fully discharged against the acquisition of investment in another subsidiary company.

2018 Non cash transactions:

1. During the year 2018 there were net payments/repayments totalling US$ 666,000 made by/to related common ownership parties on behalf of the Company regarding the loan issued to a direct subsidiary company dated 27 March 2012.

2018 Non cash transactions:(continued)

2. During the year 2018 there were net payments/repayments totalling US$ 321,000 made by/to related common ownership parties on behalf of the Company regarding the loan issued to a indirectly held subsidiary company dated 2 September 2013.

3. During the year 2018 there were net payments/repayments totalling US$ 763,000 made by/to related common ownership parties on behalf of the Company regarding the loan issued to a direct subsidiary company dated 23 September 2014.

4. During the year 2018 there were net payments/repayments totalling US$ 243,000 made by/to related common ownership parties on behalf of the Company regarding the loan issued to a third party company dated 28 December 2015. In addition, on June 2018, the amount due by the Company to the third party company in the amount of US$ 10,000,000 was set-off against the loan issued to the third party company dated 28 December 2015.

5. During the year 2018 the loan issued to a third party company dated 14 April 2015 was set-off against the Company's borrowing from the third party in the amount of US$ 8,493,944.

The above non-cash transactions are not reflected in the statement of cash flows. All transaction stated above were made to lead the Group structure more simple and clear.

1. Incorporation and principal activities

Country of incorporation

The Company O1 Properties Limited (the "Company") was incorporated in Cyprus on 24 August 2010 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at 18 Spyrou Kyprianou, 2nd Floor, 1075 Nicosia, Cyprus.

Change of Company name

On 1 July 2011 the Company's name was changed from Tonebol Limited to O1 Properties Limited. On 28 March 2012 the Company was reconstituted from a private limited liability company to a public limited company under the name O1 Properties plc. On 10 July 2012 the Company was reconstituted from public limited company to a private limited liability company under the name O1 Properties Limited.

At 31 December 2019 and 31 December 2018 the Company's principal immediate shareholders were Riverstretch Trading and Investments Limited (Cyprus), Yofoura Holding Limited (Cyprus) and certain other companies which owned 70.038%, 14.410% and 15.552% of Class "A" shares respectively. At 31December 2019 the owners of Class "B" shares were Riverstretch Trading and Investments Limited,Yofoura Holding Limited and certain other companies which owned 58.391%, 21.865% and 19.744% of Class "B" shares respectively (31 December 2018: Riverstretch Trading and Investments Limited,Yofoura Holding Limited and certain other companies which owned 58.391%, 21.695% and 19.914% of Class "B" shares respectively). Refer to Note 19 for an overview of the differences in rights andobligations of "A" and "B" shareholders.

From 4 July 2018 following the Change of Control Mr. Pavel Vashchenko, citizen of the Russian Federation (the "Ultimate Controlling Shareholder"), became the ultimate controlling party of the Group.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding and financing of investments in financial assets at fair value through profit and loss comprising of investments in subsidiaries and associates, operating in the Russian real estate market.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements unless otherwise stated.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

These financial statements are the separate financial statement of the company.

The Company prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union for the Company and its subsidiaries. The consolidated financial statements can be obtained from 18 Spyrou Kyprianou, 2nd Floor, 1075, Nicosia, Cyprus. Users of these separate financial statements of the parent company should read them together with the consolidated financial statements of the company and its subsidiaries as at and for the year ended 31 December 2019 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and its subsidiaries.

2. Accounting policies (continued)

Going concern

O1 Properties Limited and its subsidiaries (the "Group") are operating in a difficult business environment and the Company has dependencies with the ultimate beneficial owners'("UBOs") business environment. The Company is exposed to the business conditions of its subsidiaries as it has undertaken to provide financial support to enable them to meet their obligations as and when they become payable.

The Company incurred a loss of US$ 162,912 thousand for the year ended 31 December 2019 (31 December 2018: US$ 536,936 thousand) and as of that date, the Company's current liabilities exceeded its current assets by US$ 138,785 thousand (31 December 2018: US$ 302,717 thousand).

The economic environment and conditions as those emerged from the pandemic of COVID 19, the volatility of oil prices and the sharp depreciation of the Russian Rouble are expected to negatively affect the Russian economy and elevate the level of uncertainty in relation to the Group's Real Estate (O1 Properties Limited and its subsidiaries) operations. Tenants are experiencing difficulties in complying with their rent obligations as they fall due. As a result, Management expects a decrease in its short-term cash flows and liquidity. These conditions are expected to impact the ability of the Group to meet its own obligations as they fall due. In addition, if the effect of the above economic conditions is significant and prolonged the resulted profitability impact could affect loan covenants associated with Debt Service Cover Ratios and/or Loan to Value ratios. However it is not possible at this stage to estimate the magnitude of this impact.

In March and in September 2020 the Company and one of its subsidiaries were in breach of its six months coupon payments in the amount of US$ 14,5 million each (total US$ 29 million) in relation to the Eurobonds (the "Bonds") issued by a subsidiary of the Group and guaranteed by the Company, (the "Bonds"). This breach constitutes an event of default and as a result, the Bondholders have the right to request immediate repayment of the principal amount of US$ 350 million together with accrued interest. The subsidiary and the Company as guarantor are committed to resolving the above situation to the satisfaction of all parties involved. In this respect, a consent solicitation through the submission of a restructuring proposal will be pursued. Following the submission of the restructuring proposal the Management intends to enter into discussions with the Bondholders, however the outcome of these discussions cannot be predicted with sufficient level of certainty.

Notwithstanding the above, Management is confident that it can successfully manage the risks associated with the above conditions. Subject to the uncertainties underpinning current circumstances and future estimates, the Management is deriving its confidence from the following mitigating factors and assumptions as described below:

- The recognized financial guarantees and indemnity liabilities in the amount of US$ 270,514 thousand (Note 21), though being part of the current liabilities, are not expected to become payable during the 12 months following the approval of these financial statements. In relation to indemnity liabilities, based on the ongoing discussions with the relevant stakeholders, management expects that the above amounts will not became payable in the next 12 months.
- Current payables and current loans payable in the amount of US$ 77,646 thousand (Notes 20 and 22) are payable to companies under the direct or indirect control of the Company. Management of the Company is in position to prolong the maturity of those payables as they become due.

Management believes that the timing and realisation of the above assumptions are reasonable and reflect their assessment of the most likely outcome. However the potential outcome of the above are not wholly within Management's control and as a result the events and conditions discussed above indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Management is closely monitoring the forecasted yields and market conditions of the property market in Russia and projects continued profitability and positive operating cash inflows for the Group. Cash flow forecasts for the next 12 months from date of approval of these financial statements prepared by Management, on the basis of the above assumptions, indicates that the Group,will have sufficient cash inflows to meet its debts as and when they fall due. This assumes that there will be no adverse consequences in relation to the default on the Eurobonds as explained above and that the Group will be in a position to agree further bank repayment deferrals if the magnitude and duration of the current economic environment will have a worse impact than presently estimated.

2. Accounting policies (continued)

For the reasons stated above, the Company's financial statements have been prepared on a going concern basis. Therefore, the financial statements do not include any adjustments relating to the recovery of assets recorded and the amount and classification of liabilities or any other adjustments that would have been necessary should the Company and the Group were unable to continue as a going concern.

Adoption of New or Revised Standards and Interpretations

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

IFRS 16 Leases. In the current year, the Company, for the first time, has applied IFRS 16 Leases. The date of initial application of IFRS 16 for the Company is 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

Impact of the new definition of a lease. The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

Impact on Lessee Accounting. Long-term leasehold land of the Group held under an operating lease,was already accounted for as a finance lease in accordance with IAS 40 "Investment Property" and IAS17 "Leases. Based on these facts the Group concluded that new requirements of the standard have nomaterial impact on its financial statements.

The company applied practical expedient C9(B) of IFRS16 which allows not to make adjustments ontransition for leases previously accounted for as investment property using the fair value model in IAS40 Investment Property.

*Impact on Lessor Accounting.*In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The major change is that under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of- use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). As the Company has no subleases,IFRS 16 did not have an impact for leases where the Company is the lessor.

Based on its preliminary assessment, the Company does not believe that the new requirements of the standard would have had a material impact on its financial statements.

2. Accounting policies (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

The Company examined the effect of the interpretation on the financial statements of the Company and concluded that there is no impact on its financial statements additional to amounts and disclosures.

During the year ended 31 December 2019 the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Company except as mentioned above.

- IFRS 9 (Amendments) "Prepayment Features with Negative Compensation".
- IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement".
- IAS 28 (Amendments) "Long-term Interest in Associates and Joint Ventures".
- Annual Improvements to IFRSs 2015-2017 Cycle.

At the date of approval of this financial information the following accounting standards were issued by the International Accounting Standards Board but were not yet effective. Some of them were adopted by the European Union and others not yet.

(i) Adopted by the European Union

- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020).

(ii) Not adopted by the European Union

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2022).

2. Accounting policies (continued)

- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after 1 January 2022).
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021).

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

Investment in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Assets in this category are classified as current if they are either held for trading or expected to be realized within twelve months of the reporting date.

(i) Classification:

The Company classifies its investments in subsidiaries as financial assets at fair value through profit or loss and are presented as non current because they are held for long term investment rather than for trading. Management determines the classification of financial assets at initial recognition. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy.

Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Assets in this category are classified as current if they are either held for trading or expected to be realized within twelve months of the reporting date.

(ii) Recognition and measurement:

Regular way purchases and sales of financial assets are recognized on the trade date which is the date on which the Company commits to purchase or sell the Investment in subsidiary. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expenses in statement of profit or loss and other comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of profit or loss and other comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss and other comprehensive income as part of the dividend income when the Company's right to receive payments is established. Whereby the Company undertakes a group restructuring which results in a new intermediary holding company, with the transfer of previously held subsidiaries to a new intermediary holding company in exchange for the issue of shares by the new intermediary holding company, the Company determines the initial fair value of the new intermediary holding company with reference to the fair value of the subsidiaries transferred at the date of transfer.

2. Accounting policies (continued)

Revenue recognition

Revenues earned by the Company are recognised on the following basis:

- **Interest income**

  Interest income is recognised on a time-proportion basis using the effective interest method.

- **Dividend income**

  Dividend income is recognised when the right to receive payment is established.

Other income and expenses

All other income and expense items are generally recorded on an accruals basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Borrowing costs

Borrowing costs are recognised in statement of profit or loss and other comprehensive income as incurred.

Finance costs

Interest expense and other costs on borrowings to finance construction or production of qualifying assets are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Foreign currency translation

(1) *Functional and presentation currency*
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$), which is the Company's functional and presentation currency.

(2) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income. Translation differences on non-monetary items such as equities held at fair value through profit and loss are reported as part of the fair value gain or loss. Translation differences on available-for-sale financial assets are recognised in other comprehensive income.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Accounting policies (continued)

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Financial instruments

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

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 best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination) if any, are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating the interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

2. Accounting policies (continued)

Classification of financial assets

The Company classifies its financial assets into the following measurement models: amortised cost, fair value through profit or loss, fair value through other comprehensive income.

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method. Trade and other receivables are also subject to the impairment requirements of IFRS 9.

Loans receivable

Loans are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Company intends to sell in the near term. Loans are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with banks with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Cash and cash equivalents are subject to the impairment requirements of IFRS 9. Restricted balances are excluded from cash and cash equivalents for the purpose of the statement of cash flow.

Equity instruments

The Company subsequently measures all equity investments at fair value.

Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. Dividend income from financial assets at FVTPL is recognised in the statement of comprehensive income when the Company's right to receive payments is established. Fair value is determined in the manner described in Note 7.

Classification of financial liabilities

The Company classifies its financial liabilities except for derivatives into financial liabilities carried at amortised cost. Modification to the terms of a financial liabilities is substantial if the net present value of the cash flow under the modified terms, including any fees paid net of any fees received, is at least 10 % different from the net present value of the remaining cash flows of the liability prior to modification, both discounted at the original effective interest rate. A gain or loss in case of such modifications are recognised through profit or loss for the period

2. Accounting policies (continued)

Borrowings

Borrowings are carried at amortised cost using the effective interest method.

Borrowing costs

Borrowing costs are recognised in statement of profit or loss and other comprehensive income as incurred.

Trade and other payables

Trade and other payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost, using the effective interest method.

Financial guarantees

Financial guarantees are irrevocable contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the amount determined in accordance with the expected credit loss model under IFRS 9.

Derivative financial instruments

Derivatives are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Company does not apply hedge accounting. Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Initial recognition of financial instruments

All financial instruments carried at amortised cost are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. In all other cases the gain/loss is deferred.

The Company uses discounted cash flow valuation techniques to determine the fair value of derivative financial instruments, loans to and from related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight-line basis over the term of the derivative financial instruments, loans to and from related parties.

The changes in the fair value of derivatives are recognised immediately in the profit or loss.

2. Accounting policies (continued)

Initial recognition of financial instruments (continued)

Derecognition of financial assets and liabilities

Financial assets

The Company derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (ii) the Company has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Company has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities

The Company derecognises a financial liability or part of a financial liability when the obligation specified in the contract is discharged or cancelled or expires. The Company has accounted for all modifications that resulted in a change in the currency denomination of the loan as extinguishments of financial liabilities.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on its financial assets and financial guarantees. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

2. Accounting policies (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due (depending on type and nature of financial asset), unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:
(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

(ii) Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 180 days past due (depending on type and nature of financial asset) unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For the purposes of calculation of loss allowance for expected credit losses the Company uses public data on external credit rating of the counterparty and, in case of absence of such information, internal credit rating assigned using internally developed methodology. Credit rating represents ability of the counterparty to repay debt or service contractual cash flows timely and cover outstanding amount in case of default based on the assessment of financial performance of the counterparty. The internal credit rating methodology allows to assign internal credit rating and determine probability of default and losses in case of default for the counterparties based on the external historical statistics on frequency of defaults and losses for the companies and financial instruments with similar quantitative and qualitative characteristics. Among other factors following indicators of the counterparty are taken into account in order to determine internal credit rating:

2. Accounting policies (continued)

- Long Term and Short Term Assets;
- Equity;
- Long Term and Short Term Liabilities;
- Revenue;
- EBITDA;
- Interest Expenses.

In order to determine probability of default of the particular financial instrument the following characteristics of the instrument are considered:

- maturity;
- direct or indirect security/collateral provided;
- nature of the instrument.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Transactions with equity owners/subsidiaries

The Company enters into transactions with shareholders and subsidiaries. When consistent with the nature of the transaction, the Company's accounting policy is to recognise (a) any gains or losses with equity holders and other entities which are under the control of the ultimate shareholder, directly through equity and consider these transactions as the receipt of additional capital contributions or the payment of dividends; and (b) any losses with subsidiaries as cost of investment in subsidiaries. Similar transactions with non equity holders or subsidiaries, are recognised through the profit or loss in accordance with IAS 39, 'Financial Instruments Recognition and Measurement'.

The Company accounts for all the transactions with equity owners/subsidiaries, involving the disposals of subsidiaries at transaction price. If a gain or loss arises, this is accounted for as per above.

Share capital and share premium

Ordinary shares are classified as equity.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

2. Accounting policies (continued)

Shares issued are classified as equity if, and only if, both conditions (a) and (b) below are met: (a) the shares include no contractual obligation (i) to deliver cash or another financial asset to another entity, or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer, and (b) the shares will or may be settled in the issuer's own equity instruments and the shares are (i) non derivatives that include no contractual obligation for the issuer to deliver a variable number of its own equity instruments, or (ii) derivatives that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

For equity settled share-based payment transactions whereby shares are issued as consideration for the acquisition of investments, the entity recognises investments at fair value with a corresponding increase in equity.

Provisions

Provision for legal claims and guarantees obligations are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of the time is recognized as interest expense.

3. Financial risk management

Financial risk factors
The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in the market interest rates as the Company's interest bearing assets and liabilities have fixed rates.

3.2 Credit risk
The Company takes on an exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's exposure to credit risk is reflected in the carrying amounts of the respective financial instruments.

In order to minimise credit risk, the Company has adopted a policy of dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. For details on Company's exposure to credit risk as at year end, please see Note 11.

3.3 Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2019	Carrying amounts US$	Contractual cash flows US$	Within 1 year US$	Between 1-5 years US$	More than 5 years US$
Bank loans	16,652,321	22,668,622	2,821,801	11,116,319	8,730,502
Other loans	97,728	97,728	97,728	-	-
Payables to related companies	71,720,763	71,720,763	71,720,763	-	-
Borrowings from related companies	204,020,981	268,183,440	6,683,651	169,881,524	91,618,265
Financial guarantees and other provisions	270,513,885	270,513,885	-	270,513,885	-
	563,005,678	633,184,438	81,323,943	451,511,728	100,348,767

31 December 2018	Carrying amounts US$	Contractual cash flows US$	Within 1 year US$	Between 1-5 years US$	More than 5 years US$
Other loans	97,728	97,728	-	97,728	-
Trade and other payables	1,196,104	1,196,104	1,196,104	-	-
Payables to related companies	69,420,361	69,420,361	69,420,361	-	-
Borrowings from related companies	120,555,179	134,808,276	63,902,636	70,905,640	-
Financial guarantees and other provisions	231,927,718	231,927,718	-	231,927,718	-
	423,197,090	437,450,187	134,519,101	302,931,086	-

For maximum exposure on guarantees given please refer to credit risk disclosure (Note 11).

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, the United Kingdom Pound and the Russian Rouble. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company's exposure to foreign currency risk was as follows:

31 December 2019	Euro US$	Russian Rouble US$	United Kingdom Pound US$
Assets			
Cash at bank	383	42,929	-
Loans receivable	2,207,413	12,396,222	-
Receivables	3,381,301	15,690,352	588,341
	5,589,097	28,129,503	588,341
Liabilities			
Trade and other payables	(3,025,703)	(51,528)	(94,540)
Loans payable	-	(72,458,294)	-
	(3,025,703)	(72,509,822)	(94,540)
Net exposure	2,563,394	(44,380,319)	493,801

3. Financial risk management (continued)

31 December 2018	Euro US$	Russian Rouble US$	United Kingdom Pound US$
Assets			
Cash at bank	2,021	3,392,002	-
Loans receivable	1,883,295	10,205,219	-
Receivables	2,999,260	13,982,131	570,387
	4,884,576	27,579,352	570,387
Liabilities			
Trade and other payables	(222,866)	(133,230)	(91,655)
Loans payable	-	(26,650,041)	-
	(222,866)	(26,783,271)	(91,655)
Net exposure	4,661,710	796,081	478,732

Sensitivity analysis
A 10% strengthening of the United States Dollars against the following currencies at 31 December 2019 (2018: 10%) would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the United States Dollars against the relevant currency, there would be an equal and opposite impact on the profit and equity.

	Equity		**Profit or loss**	
	2019 US$	2018 US$	**2019 US$**	2018 US$
Euro	**(256,339)**	(466,171)	**(256,339)**	(466,171)
United Kingdom Pounds	**(49,380)**	(47,873)	**(49,380)**	(47,873)
Russian Rouble	**4,482,432**	(79,608)	**4,482,432**	(79,608)
	4,176,713	(593,652)	**4,176,713**	(593,652)

3.5 Capital risk management
The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash at bank. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

The Company's gearing ratio is calculated as follows:

	2019 US$	2018 US$
Total borrowings (Note 20)	**220,771,030**	120,652,907
Less: Cash and cash equivalents (Note 18)	**(44,275)**	(3,402,257)
Net debt	**220,726,755**	117,250,650
Total equity	**108,329,524**	271,241,265
Total capital	**329,056,279**	388,491,915
Gearing ratio	**67.08%**	30.18%

The increase in the gearing ratio during year ended 31 December 2019 resulted primarily from the increase in borrowings incurred by the Company.

3. Financial risk management (continued)

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

4. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Calculation of loss allowance**
  When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

  Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

  Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 11.

- **Income taxes**
  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Fair value of financial assets**
  The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets has been estimated based on the fair value of these individual assets.

  Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

4. Critical accounting estimates and judgements (continued)

The Company uses various valuation methods to value non-listed investments. These methods are based on assumptions made by the Board of Directors which are based on market information at the reporting date. For more information on the assumptions made by the Board of Directors in determing the fair value of the investments refer to Note 13 to the financial statements.

- **Deferred tax**

Deferred tax assets are reviewed at each reporting date and reduced to extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes estimates based on expected performance and tax planning strategies

- **Functional currency**

The functional currency of the Company was determined based on the underlying economic conditions of its operations which are financing activities and sale and purchase of investments/holding of investments. This determination of what the specific underlying economic conditions are requires judgment. In making this judgment, the Company evaluates among other factors, the location of activities, the sources of revenue and expense and risks associated with activities.

The functional currency was determined to be US Dollars on the basis that the Company raised its capital in US Dollars and most investments were purchased using US Dollars.

5. Interest income

	2019 US$	2018 US$
Interest income from third parties	**8,015,871**	8,384,126
Interest income from related parties (Note 24)	**8,462,847**	6,308,586
	16,478,718	14,692,712

6. Other income

	2019 US$	2018 US$
Income from recharge of expenses (Note 24)	**992,147**	431,890
	992,147	431,890

7. Net loss from financial assets

	2019 US$	2018 US$
Loss from sale of financial assets at fair value through profit and loss	**(273,637)**	(32,539,856)
Impairment of available for sale financial assets	**(21,931)**	-
Fair value losses on financial assets at fair value through profit and loss (Note 14)	**(247,044,526)**	(183,619,795)
Fair value gains on other investments	**-**	(68,953)
Fair value gains on derivative financial instruments	**-**	903,440
Reversal of impairment/(Impairment) of financial assets (Note 11)	**58,251,202**	(96,241,603)
	(189,088,892)	(311,566,767)

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8. Administration expenses

	2019 US$	2018 US$
Professional expenses	**1,982,413**	1,018,497
Legal fees	**142,639**	1,237,663
Directors' remuneration (Note 24)	**73,844**	161,499
Auditors' remuneration - current year	**302,500**	199,200
Travelling	**-**	4,381
Administration fees (Note 24)	**22,018**	23,224
Marketing and promotion	**117**	4,031
Sundry expenses	**-**	27,641
Insurance	**125,002**	18,267
Auditors' remuneration - prior years	**174,720**	6,536
	2,823,253	2,700,939

The operating expenses stated above include fees of US$ 7,171 (2018: US$ 7,000) for tax consultancy services charged by the Company's statutory audit firm.

9. Net finance costs

	2019 US$	2018 US$
Finance income		
Other income	**968,405**	27,216
Realised exchange profit	**36,554**	1,226,096
Unrealised exchange gain	**-**	1,124,015
	1,004,959	2,377,327
Interest expense		
Interest expense from related parties (Note 24)	**(10,950,245)**	(8,134,811)
Other interest expense	**(944,763)**	(289,685)
Other finance expenses		
Bank charges	**(57,822)**	(35,096)
Sundry finance expenses	**(188,101)**	(1,496,003)
Net foreign exchange transaction losses		
Unrealised exchange loss	**(1,845,922)**	-
	(13,986,853)	(9,955,595)
	(12,981,894)	(7,578,268)

10. Tax

	2019 US$	2018 US$
Charge for the year	**-**	-

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2019 US$	2018 US$
Loss before tax	**(162,911,741)**	(536,936,090)
Tax calculated at the applicable tax rates of 12.5%	**(20,363,968)**	(67,117,011)
Tax effect of expenses and losses not deductible for tax purposes	**36,435,305**	68,479,461
Tax effect of allowances, income and gains not subject to tax	**(16,036,669)**	(1,171,298)
Tax effect of tax losses brought forward	**(34,668)**	(191,152)
Tax charge	**-**	-

The Company is subject to income tax on taxable profits at the rate of 12.5%.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 17%. In certain cases dividends received from other Cyprus tax resident companies may also be subject to special contribution for defence.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

Due to tax losses sustained in the period, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following five years.

11. Credit risk

The Company's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is > 90 days past due (depending on type and nature of financial asset) or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – non credit-impaired
In default	Amount is > 180 days past due (depending on type and nature of financial asset) or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

11. Credit risk (continued)

The tables below detail the credit quality of the Company's financial assets as well as the Company's maximum exposure to credit risk by credit risk rating grades:

31 December 2019	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Gross carrying amount	Loss allowance	Net carrying amount
Loans issued	16	N/A	Performing	12-month ECL	59,849,891	(196,615)	59,653,276
Loans issued	16	N/A	Doubtful	Lifetime ECL (not credit impaired)	30,048,122	(1,202,572)	28,845,550
Loans issued	16	N/A	In Defaul	Lifetime ECL - credit-impaired	249,689,812	(77,252,818)	172,436,994
Trade and other receivables	17	N/A	Doubtful	Lifetime ECL (not credit impaired)	57,371,965	(1,888,280)	55,483,685
Trade and other receivables	17	N/A	Performing	12-month ECL	3,564,002	(5,743)	3,558,259
Trade and other receivables	17	N/A	In Default	Lifetime ECL - credit-impaired	32,827,932	(13,404,064)	19,423,868

31 December 2018	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Gross carrying amount	Loss allowance	Net carrying amount
Loans issued	16	N/A	Performing	12-month ECL	25,960,864	(984,641)	24,976,223
Loans issued	16	N/A	Doubtful	Lifetime ECL (not credit impaired)	208,211,648	(122,528,856)	85,682,792
Trade and other receivables	17	N/A	Doubtful	Lifetime ECL (not credit impaired)	40,366,978	(28,578,151)	11,788,827
Trade and other receivables	17	N/A	Performing	12-month ECL	46,010,553	(108,449)	45,902,104
Deposits in banks	18	BBB-	Performing	12-month ECL	2,878,915	(1,199)	2,877,716

Guarantees issued:

31 December 2019	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Exposure (*)	Loss allowance
Financial guarantee contracts	21	N/A	Doubtful	Lifetime ECL (not credit impaired)	36,063,927	(36,063,927)
Financial guarantee contracts	21	N/A	Doubtful	Lifetime ECL (not credit impaired)	234,449,958	(234,449,958)

31 December 2018	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Nominal amount of guarantee (*)	Loss allowance
Financial guarantee contracts	21	N/A	Doubtful	Lifetime ECL (not credit impaired)	36,226,000	(36,226,000)
Financial guarantee contracts	21	N/A	Doubtful	Lifetime ECL (not credit impaired)	195,701,718	(195,701,718)

* For Company guarantee, the nominal amount of guarantee represents the maximum amount the Company has guaranteed under the respective agreement.

11. Credit risk (continued)

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix below:

Days of payment delay	0-30	31-90	91-180	More than 180
Provision, % of outstanding amount	1%	20%	50%	100%

The following table shows the movement in expected credit losses that has been recognised for the respective financial assets and financial guarantees:

	12-month ECL Loans	Lifetime ECL (not credit impaired) Loans	Lifetime ECL credit-impaired Loans	12-month ECL Receivables	Lifetime ECL (not credit impaired) Receivables	Lifetime ECL credit-impaired Receivables	12-month ECL Deposits	Lifetime ECL (not credit impaired) Guarantee	Total
Balance as at 1 January 2019 under IFRS 9	**984,641**	**122,528,856**	**-**	**108,449**	**28,578,151**	**-**	**1,199**	**231,927,718**	**384,129,014**
Increase/Decrease in loss allowance recognised in the year	(788,024)	(121,326,284)	77,252,818	(102,706)	(26,689,871)	13,404,064	(1,199)	38,586,167	(19,665,035)
Balance as at 31 December 2019	**196,617**	**1,202,572**	**77,252,818**	**5,743**	**1,888,280**	**13,404,064**	**-**	**270,513,885**	**364,463,979**

The detailed information at 31 December 2018 is presented below:

	12-month ECL Loans	Lifetime ECL (not credit impaired) Loans	Lifetime ECL credit-impaired Loans	12-month ECL Receivables	Lifetime ECL (not credit impaired) Receivables	Lifetime ECL credit-impaired Receivables	12-month ECL Deposits	Lifetime ECL (not credit impaired) Guarantee	Total
Balance as at 1 January 2018 under IFRS 9	**-**	**53,089,693**	**-**	**2,870,000**	**-**	**-**	**-**	**1,713,000**	**57,672,693**
Increase/Decrease in loss allowance recognised in the year	984,641	69,439,163	-	(2,761,551)	28,578,151	-	1,199	230,214,718	326,456,321
Balance as at 31 December 2018	**984,641**	**122,528,856**	**-**	**108,449**	**28,578,151**	**-**	**1,199**	**231,927,718**	**384,129,014**

Cash at bank and short term bank deposits	**2019 US$**	2018 US$
Without credit rating	**-**	3,392,765
Baa3- (Moody's)	**44,275**	-
B- (Fitch)	**-**	7,498
A- (Standard & Poor's)	**-**	3,194
	44,275	3,403,457

12. Presentation of Classes of Financial Instruments with Measurement Categories

The Company's accounting policy for financial assets and financial liabilities was applied in accordance with the following measurement categories:

As at 31 December 2019	Financial assets measured at amortised cost	Financial assets at fair value through profit or loss	**Total**
Financial assets	US$	US$	**US$**
Financial assets at fair value through profit or loss	-	333,065,840	**333,065,840**
Loans receivable	260,935,820	-	**260,935,820**
Other investments	-	67,680	**67,680**
Trade and other receivables (excluding prepayments)	78,458,312	-	**78,458,312**
Cash and cash equivalents	44,275	-	**44,275**
Total	339,438,407	333,133,520	**672,571,927**

As at 31 December 2019	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	**Total**
Financial liabilities	US$	US$	**US$**
Borrowings	-	220,771,030	**220,771,030**
Trade and other payables	-	72,964,609	**72,964,609**
Total	-	293,735,639	**293,735,639**

As at 31 December 2018	Financial assets measured at amortised cost	Financial assets at fair value through profit or loss	**Total**
Financial assets	US$	US$	**US$**
Financial assets at fair value through profit or loss	-	522,596,919	**522,596,919**
Loans receivable	110,659,015	-	**110,659,015**
Other investments	-	89,612	**89,612**
Derivative financial instruments	-	-	**-**
Trade and other receivables (excluding prepayments)	57,683,431	-	**57,683,431**
Cash and cash equivalents	3,402,257	-	**3,402,257**
Total	171,744,703	522,686,531	**694,431,234**

As at 31 December 2018	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	**Total**
Financial liabilities	US$	US$	**US$**
Borrowings	-	120,652,907	**120,652,907**
Trade and other payables	-	70,616,465	**70,616,465**
Total	-	191,269,372	**191,269,372**

13. Fair Value of Financial Instruments

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 estimated fair values have been determined by the Company using available market information, when such information exists and is considered a reliable indicator, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market. Market quotations may be outdated or reflect distressed sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets at fair value through profit or loss. The fair values of the financial assets at fair value through profit or loss (Note 14) are based on Level 3 valuations. These valuations are determined based on the adjusted net asset method defined by IFRS 13. For subsidiaries which do not hold investment properties, the fair value is based on the calculated fair value of their assets and liabilities which is determined using market rates (where applicable) adjusted as deemed necessary in order to reflect the risk exposure of each subsidiary. For such subsidiaries which hold investment properties in Russia, net assets are determined to be a proxy for their fair value, as they reflect the fair value of the investment properties on their statement of financial position. In determining the fair value of the investment properties, management uses valuation reports of independent property valuers who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. The fair value of investment properties was determined mainly using discounted cash flow valuation techniques. The Company used assumptions that were based on market conditions existing at each reporting date. Changes in assumptions used in the valuation techniques could affect reported fair values.

13. Fair Value of Financial Instruments (continued)

The valuation technique, inputs used in the fair value measurement of the investment property and related sensitivity to reasonably possible changes in those inputs were as follows at 31 December 2019:

In thousands of US Dollars	**Valuation technique**	**Inputs used in valuation of investments properties**	**Range of inputs (weighted average)**	**Reasonable change (% of input)**	**Sensitivity of fair value measurement**
Subsidiaries holding yielding investment property	Discounted Cash Flow Technique	Discount rates	10.0 - 11.0%	+10%	(151,600)
				-10%	162,400
		Estimated rental value	270-620 US$/sq.m.	+10%	230,800
				-10%	(225,200)
		Exit capitalization rates	8.25 - 9.0%	+10%	(159,900)
				-10%	195,500
Subsidiaries holding investment property under development	Discounted Cash Flow Technique	Discount rates	15.5% -18.5%	+10%	(3,820)
				-10%	4,110
		Expected sq.m. price / estimated rental value	300-2,150 US$/sq.m.	+10%	10,070
				-10%	(10,070)
		Exit capitalization rates	9.0%	+10%	(3,400)
				-10%	4,100

The valuation technique, inputs used in the fair value measurement of the investment property and related sensitivity to reasonably possible changes in those inputs were as follows at 31 December 2018:

In thousands of US Dollars	**Valuation technique**	**Inputs used in valuation of investments properties**	**Range of inputs (weighted average)**	**Reasonable change (% of input)**	**Sensitivity of fair value measurement**
Subsidiaries holding yielding investment property	Discounted Cash Flow Technique	Discount rates	10.0 - 12.0%	+10%	(159,900)
				-10%	171,400
		Estimated rental value	240 - 620 US$/sq.m.	+10%	247,800
				-10%	(247,300)
		Exit capitalization rates	8.25 - 9.75%	+10%	(168,900)
				-10%	206,500
Subsidiaries holding investment property under development	Discounted Cash Flow Technique	Discount rates	17.0 - 20.0%	+10%	(3,730)
				-10%	4,230
		Expected sq.m. price / estimated rental value	290 - 2,100 US$/sq.m.	+10%	9,610
				-10%	(9,500)
		Exit capitalization rates	9.0%	+10%	(3,200)
				-10%	4,000

13. Fair Value of Financial Instruments (continued)

The sensitivity of fair value measurement to change of inputs is estimated by adjusting the variable and assuming that other variables remain the same.

During the year 2019 and 2018 there were no re-classifications from or into Level 3 measurements.

Cash and cash equivalents. Cash and cash equivalents are carried at amortised cost which approximates their currect fair value.

Financial assets and liabilities carried at amortized cost. Financial assets and liabilities are carried at amortized cost which approximates their current fair value.

Available-for-sale financial assets. Available-for-sale financial assets are carried at fair value based on value as per stock exchange.

14. Financial assets at fair value through profit and loss

	2019	2018
	US$	US$
Balance on 1 January	**522,596,919**	776,655,785
Additions	**63,099,984**	116,000,000
Disposals	**(412,892)**	(186,439,071)
Reduction in share premium of subsidiary transferred to receivables	**(5,173,645)**	-
Fair value losses (Note 7)	**(247,044,526)**	(183,619,795)
Balance at 31 December	**333,065,840**	522,596,919

14. Financial assets at fair value through profit or loss (continued)

The details of the subsidiaries at fair values are as follows:

Name	Country of incorporation	Principal activities	**2019 Holding %**	2018 Holding %
Wallasey Ltd	Cyprus	Financing	**100***	100*
Ratado Holding Ltd	Cyprus	Holding and financing investments	**100***	100*
O1 Properties Management CJSC	Russia	Services	**100**	100
Vielle Ltd	Cyprus	Holding and financing investments	**100**	100
LLC City-Developer	Russia	Services	**100**	100
O1 Standard JSC (former Nash Standart CJSC)	Russia	Services	**-**	100
Letvion Investments Ltd	Cyprus	Holding and financing investments	**85**	85
Silverflair Ltd	Cyprus	Holding and financing investments	**100***	100*
O1 Properties Finance PLC	Cyprus	Financing	**99.98**	99.98
Taavo Enterprises Ltd	Cyprus	Holding and financing investments	**85**	85
Barkmere Limited	Cyprus	Inactive	**100**	100
Hannory Holdings Ltd	BVI	Holding and financing investments	**100**	100
Mooncrown Ltd	Cyprus	Holding and financing investments	**100**	100
Nikkon Global Ltd	BVI	Inactive	**100**	100
Cemvertia Holdings Ltd	Cyprus	Holding and financing investments	**100**	100
Simeona Ltd	Cyprus	Inactive	**100**	100
Fundin Investments Ltd	Cyprus	Holding and financing investments	**100**	100
Thabit Holdings Ltd	Cyprus	Holding and financing investments	**100**	100
Eagleman Ltd	Cyprus	Holding and financing investments	**100**	100
O1 Advisory Ltd	Cyprus	Management company	**100**	100
Somertal Ltd	Cyprus	Inactive	**100**	-
Genovius Ltd	Cyprus	Inactive	**100**	-
Gardin Limited	Cyprus	Holding company	**100**	-
Goldflavour Ltd	Cyprus	Financing	**100***	100*
Stoneface Ltd	Cyprus	Holding and financing investments	**100**	100

The ownership stakes marked (*) were pledged in relation to borrowings of related parties (Note 24) at respective dates.

14. Financial assets at fair value through profit or loss (continued)

On 22 June 2018, the Company subscribed to additional 1,000 shares in Ratado Holding Ltd for a total consideration of US$ 116,000 thousand.

Dividend income from investments in subsidiaries

	2019 US$	2018 US$
The Company received dividends from its subsidiaries as follows:		
Mooncrown Limited	63,097,600	-
	63,097,600	-

On 24 October 2019, the direct subsidiary company declared interim dividend amounting to US$ 63,097,600 on all the ordinary shares of Euro 1.00 each and on 25 October 2019 the Company approved the interim dividend. The interim dividend amounting to US$ 63,097,600 were fully settled by the transfer to the Company of 5,000 ordinary shares of nominal value 1.00 Euro each, which constitute 100% of the capital of Business Center Stanislavsky (Cyprus) Limited.

15. Available-for-sale financial assets

	2019 US$	2018 US$
Balance on 1 January	-	158,565
Reclassification - transferred from available-for-sale to other investments	-	(158,565)
Balance at 31 December	-	-

At the end of March 2013 cash balances of the Company with the Bank of Cyprus amounted to EUR 2,256 thousand. An amount of EUR 1,024 thousand representing 47.5% of the uninsured deposits has been converted to shares of Bank of Cyprus with nominal value of EUR 1 each following the bail in of uninsured depositors (amounts in excess of EUR 100 thousand) for the recapitalisation of Bank of Cyprus.

On 18 January 2017 an amount of 51,206 depositary interest have been converted to shares of Bank of Cyprus with nominal value of EUR 0.10 each.

The 51,206 shares received from the conversion of bank deposits into shares as described above were recognised at EUR 1.18 each as at 31 December 2019 (31 December 2018: EUR 1.53 each).

IFRS 9 contains a new classification and measurement approach for available-for-sale financial assets and as at 31 December 2018 the available-for-sale financial assets were classified under statement of financial position as other investments.

16. Loans receivable

	2019 US$	2018 US$
Loans to own subsidiaries (Note 24)	**98,132,315**	1,874,631
Loans to indirectly held subsidiary companies (Note 24)	**44,837,325**	33,370,256
Loans to parent (Note 24)	**42,322,092**	-
Loans to third parties	**75,644,088**	75,414,128
	260,935,820	110,659,015
Less current portion	**(134,216,471)**	-
Non-current portion	**126,719,349**	110,659,015

16.Loans receivable (continued)

The loans are repayable as follows:		
Within one year	134,216,471	-
Between one and five years	126,719,349	110,659,015
	260,935,820	110,659,015

The loans to third parties were provided at an interest between 8.35% and 9%, and were repayable between 31 December 2020 and 15 June 2020.

In April 2019 Riverstretch Trading & Investments Limited and the Company signed a "Funded Participation Agreement" according to which the Company funded its parent company's participation in a syndicated loan facility guaranteed by the Company and fully provided in its financial statements. The total amount of the parent's participation which has been assigned in favour of the Company, is US$ 53 million. The Company's share in the above participation which is included in current loans issued amounts to US$ 42 million. Loan balance bears no interest and is repayable on demand.

At 31 December 2019 the Company had one counterparty (31 December 2018: one counterparty) with balances of loans issued above 10% of the aggregate balances of loans issued. This counterparty did not have credit rating provided by external agency. Aggregate balances of loans issued to the above counterparty as at 31 December 2019 amounted to US$ 75,593 thousand (31 December 2018: US$ 75,363 thousand).

During the year 2019, the Company recognised an impairment loss of US$ 7,786 thousand related to loans from third party companies (31 December 2018: US$ 36,268 thousand).

Loans receivables are unsecured.

The exposure of the Company to credit risk and expected credit losses in relation to loans receivable is reported in Notes 3 and 11 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

17. Trade and other receivables

	2019	2018
	US$	US$
Receivables from own subsidiaries and other related companies (Note 24)	**72,920,027**	49,030,857
Receivables from shareholders (Note 24)	**871,009**	1,349
Deposits and prepayments	**7,500**	7,500
Other receivables	**4,667,276**	8,651,225
	78,465,812	57,690,931

The fair values of trade and other receivables approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in Notes 3 and 11 of the financial statements.

During the year 2019, the Company recognised an impairment loss of US$ 4,818 thousand related to other receivables (31 December 2018: US$ 7,398 thousand).

18. Cash and cash equivalents

Cash balances are analysed as follows:

	2019 US$	2018 US$
Cash at bank	44,275	524,541
Bank deposits	-	2,877,716
	44,275	3,402,257

Analysis by currency:	2019 US$	2018 US$
United States Dollars	963	9,433
Euro	383	2,022
Russian Ruble	42,929	3,390,802
	44,275	3,402,257

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in Notes 3 and 11 of the financial statements.

During the year 2019, the Company realised 2018's loss allowance provided on balance on cash and cash equivalents in the amount of US$ 1 thousand and decided to reverse the above allowance (Note 11).

19. Share capital and share premium

Issued and fully paid	Number of ordinary shares	Share capital US$	Share premium - ordinary shares US$	Total US$
Balance at 31 December 2018/ 1 January 2019	90,869,715	1,137,342	1,183,411,606	1,184,548,948
Balance at 31 December 2019	90,869,715	1,137,342	1,183,411,606	1,184,548,948

At 31 December 2019 and 31 December 2018 the authorized share capital of the Company was 21,694,704 class "A" shares of nominal value US$ 0.01 each and 200,000,000 class "B" shares of nominal value EUR 0.01 each and the issued share capital of the Company was 21,694,704 class "A" shares of nominal value US$ 0.01 each and 69,175,017 class "B" shares of nominal value EUR 0.01 each.

In accordance with the Articles of Association of the Company class "A" shares (1) do not have voting rights in the event that the holders of class A shares do receive dividends in the preceding calendar quarter, (2) are entitled to non-cumulative quarterly dividends at the absolute discretion of directors of the Company not exceeding US$ 2.17 per share p.a. and in priority to other shares, (3) receive maximum US$ 18.11 per share upon liquidation and (4) give the holder the right to convert its class "A" shares into class "B" shares. Class "B" shares (1) have voting rights, (2) may receive dividends only if at least minimum amount of dividends has been distributed to the holders of class "A" shares within the same period, and (3) are entitled to distributions upon liquidation.

20. Borrowings

	2019 US$	2018 US$
Current borrowings		
Bank borrowings	**1,856,290**	-
Borrowings from related companies (Note 24)	**6,146,442**	61,355,243
Other loans	**97,728**	-
	8,100,460	61,355,243
Non current borrowings		
Bank borrowings	**14,796,031**	-
Other loans	-	97,728
Borrowings from related companies (Note 24)	**197,874,539**	59,199,936
	212,670,570	59,297,664
Total	**220,771,030**	120,652,907
Maturity of non-current borrowings:		
Between one to two years	**32,269,156**	19,718,827
Between two and five years	**143,216,667**	39,578,837
After five years	**37,184,747**	-
	212,670,570	59,297,664

The exposure of the Company to liquidity and currency risk in relation to borrowings is reported in Note 3 of the financial statements.

On 25 April 2019, the Company received a US$ 16 million borrowing from a third party bank. The facility agreement has a three year term. The bank loan is subject to a floating interest rate equal to CBR Key rate plus a margin of 1.85% per annum. The loan was secured by receivables held by the parent company and secondary pledge over real estate held by the indirectly held subsidiary company.

21. Financial guarantees and other provisions

	2019 US$	2018 US$
Balance at 31 December 2019	**270,513,885**	**231,927,718**

At 31 December 2019, the Company and O1 Group Limited have jointly and severally provided an indemnity to two non-controlling shareholders of the Company, regarding losses that might arise from each of the guarantees provided by the Company. At 31 December 2019 these indemnity liabilities were acknowledged in the amount of US$ 36,064 thousand (2018: US$ 36,226 thousand). The amount of the indemnity was determined as the percentage of the losses from the guarantee that corresponded to their shareholdings in the Company.

At 31 December 2019 the Company's provision in the amount of US$ 234,450 thousand (31 December 2018: US$ 195,702 thousand) related to probable obligations as a result of financial guarantees provided by the Company in relation to financial liabilities issued by subsidiary companies (Notes 12 and 25). It is not expected that there will be a cash outflow in the next 12 months in relation to the above-recognized liability. The corresponding charge in the statement of profit or loss and other comprehensive loss is US$ 38,586 thousand (31 December 2018: US$ 193,989 thousand).

The exposure of the Company to liquidity risk in relation to provisions is reported in Note 3 of the financial statements.

22. Trade and other payables

	2019	2018
	US$	US$
Shareholders' current accounts - credit balances (Note 24)	**221,582**	221,582
Trade payables and accruals	**1,243,846**	1,196,104
Payables to own subsidiaries and other related companies (Note 24)	**71,499,181**	69,198,779
	72,964,609	70,616,465

The exposure of the Company to liquidity risk in relation to trade and other payables is reported in Note 3 of the financial statements.

The fair values of trade and other payables approximate to their carrying amounts as presented above.

23. Current tax liabilities

	2019	2018
	US$	US$
Corporation tax	**379**	379
	379	379

24. Related party transactions

From 4 July 2018 following the Change of Control Mr. Pavel Vashchenko, citizen of the Russian Federation (the "Ultimate Controlling Shareholder"), became the ultimate controlling party of the Group.

During the years 2019 and 2018, a number of transactions were entered into with related parties in the normal course of business. Certain of these transactions, particularly where a broad market does not exist, were consummated at terms agreed to between the parties.

The following transactions were carried out with related parties:

24.1 Key management compensation (Note 8)

The remuneration of Directors who are members of key management was as follows:

	2019	2018
	US$	US$
Directors' remuneration	**73,844**	161,499
	73,844	161,499

24.2 Administration expenses (Note 8)

	2019	2018
	US$	US$
Administration expenses from direct subsidiary company	**22,018**	23,224
	22,018	23,224

24. Related party transactions (continued)

24.3 Interest income (Note 5)

	2019 US$	2018 US$
Interest income from direct subsidiary companies	**6,118,810**	4,088,485
Interest income from indirectly held subsidiary companies	**2,344,037**	2,091,149
Interest income from parent companies	**-**	128,952
	8,462,847	6,308,586

24.4 Interest expense (Note 9)

	2019 US$	2018 US$
Interest expense to direct subsidiary companies	**6,283,323**	5,056,424
Interest expense to indirectly held subsidiary companies	**4,666,922**	3,078,387
	10,950,245	8,134,811

24.5 Receivables from own subsidiaries and other related companies (Note 17)

	2019 US$	2018 US$
Receivables from direct subsidiary companies	**68,840,359**	46,669,735
Receivables from indirectly held subsidiary companies	**4,079,668**	2,361,122
	72,920,027	49,030,857

The receivables from direct and indirectly held subsidiary companies are interest free and repayable on demand.

During the year 2019, the Company reassessed 2018's loss allowance provided on balance on receivables from direct and indirect subsidiaries in the amount of US$ 18,210 thousand and decided to reverse the above allowance (31 December 2018: impairment loss of US$ 21,288 thousand) (Note 11).

24.6 Loans to related parties (Note 16)

	2019 US$	2018 US$
Loans to direct subsidiary companies	**98,132,315**	1,874,631
Loans to indirect held subsidiary companies	**44,837,325**	33,370,256
Loan to shareholder	**42,322,092**	-
	185,291,732	35,244,887

The loans to direct subsidiary companies were provided at interest rates of 5.65% to 7%, and are repayable from 30 June to 31 December 2021.

The loans to indirectly held subsidiary companies were provided at interest rates of 6% to 13.10%, and are repayable from 28 February 2020 to 30 June 2023.

24. Related party transactions (continued)

In April 2019 Riverstretch Trading & Investments Limited and the Company signed a "Funded Participation Agreement" according to which the Company funded its parent company's participation in a syndicated loan facility guaranteed by the Company and fully provided in its financial statements. The total amount of the parent's participation which has been assigned in favour of the Company, is US$ 53 million. The Company's share in the above participation which is included in current loans issued amounts to US$ 42 million. Loan balance bears no interest and is repayable on demand.

During the year 2019, the Company reassessed 2018's loss allowance provided on balance on loans to direct and indirectly held subsidiary companies in the amount of US$ 52,843 thousand and decided to reverse the above allowance (31 December 2018: impairment loss of US$ 87,254 thousand).

During the year 2019, the Company recognised an impairment loss of US$ 196 thousand related to loan from shareholder (31 December 2018: NIL).

24.7 Payables to subsidiaries and other related companies (Note 22)

	2019	2018
	US$	US$
Payables to direct subsidiary companies	**25,640,235**	22,847,496
Payables to indirectly held subsidiary companies	**45,858,946**	46,351,283
	71,499,181	69,198,779

The payables to direct and indirectly held subsidiary companies are interest free and repayable on demand.

24.8 Loans from related parties (Note 20)

	2019	2018
	US$	US$
Loans from direct subsidiary companies	**76,153,435**	65,954,299
Loans from indirectly held subsidiary companies	**127,867,546**	54,600,880
	204,020,981	120,555,179

The loans from direct subsidiary companies were provided at interest rates of 7% to 11.35%, and were repayable from 30 June 2019 to 31 December 2024.

On 19 June 2019, the loan with maturity date 30 June 2019 due to a direct subsidiary company, which as at 31 December 2019 had balance of US$ 56,497 thousand was extended to 31 December 2024.

On 06 June 2019, the loan with maturity date 06 June 2019 due to a direct subsidiary company, which as at 31 December 2019 had balance of US$ 23,308 thousand was extended to 30 June 2024.

The loans from indirectly held subsidiary companies were provided at interest rates of 5.05% to 10%, and are repayable from 31 December 2019 to 31 December 2029.

On 21 June 2019, the loan with maturity date 31 December 2019 due to a indirectly held subsidiary company, which as at 31 December 2019 had balance of US$ 19,179 thousand was extended to 28 February 2025.

On 11 February 2019, the loan with maturity date 01 December 2021 due to a indirectly held subsidiary company, which as at 31 December 2019 had balance of US$ 23,278 thousand was extended to 10 July 2024.

24. Related party transactions (continued)

24.9 Receivables from shareholders (Note 17)

	2019 US$	2018 US$
Shareholders' current accounts - debit balances	**871,009**	1,349
	871,009	1,349

The shareholders' current accounts are interest free, and have no specified repayment date.

During the year 2019, the Company recognised an impairment loss of US$ 4 thousand related to receivables from shareholder (31 December 2018: NIL).

24.10 Shareholders' current accounts - credit balances (Note 22)

	2019 US$	2018 US$
Amounts owed to shareholders	**221,582**	221,582
	221,582	221,582

The shareholders' current accounts are interest free, and have no specified repayment date.

24.11 Other income

	2019 US$	2018 US$
Income from recharge of expenses to parent company (Note 6)	**884,988**	-
Income from recharge of expenses to indirectly held subsidiary company (Note 6)	**107,159**	431,890
	992,147	431,890

24.12 Acquisition and disposal of investments from/to related parties

Details regarding the acquisition and disposal of investments from/to related parties are disclosed in Notes 7 and 14.

25. Contingencies, Commitments and Operating Environment

At 31 December 2019 the Company guaranteed liabilities of its previous joint venture in the amount of US$ 20,088 thousand (31 December 2018: US$ 20,088 thousand). The Company was indemnified by a guarantee issued by a third party company for 49.9% of the guaranteed liability which amounts to US$ 10,024 thousand (31 December 2018: US$ 10,024 thousand). As a result, the total exposure of the Company in relation to this guarantee is US$ 10,064 thousand (31 December 2018: US$ 10,064 thousand). The Company in the process of negotiation to release this guarantee.

At 31 December 2019 and 31 December 2018 the Company guaranteed liabilities of a direct subsidiary company in relation to US$ 350 million Eurobonds listed on the Irish Stock Exchange. The Eurobonds are due to be redeemed on 2021. In March and in September 2020 the direct subsidiary company was in breach of its six months coupon payments in the amount of US$ 14,5 million each (total US$ 29 million) in relation to the Eurobonds (the "Bonds") issued by the subsidiary company and guaranteed by the Company. This breach constitutes an event of default and as a result, the Bondholders have the right to request immediate repayment of the principal amount of US$ 350 million together with accrued interest. The direct subsidiary company and the Company as guarantor are committed to resolving the above situation to the satisfaction of all parties involved. In this respect, a consent solicitation through the submission of a restructuring proposal will be pursued. Following the submission of the restructuring proposal the Management intends to enter into discussions with the Bondholders, however the outcome of these discussions cannot be predicted with sufficient level of certainty.

25. Contingent liabilities and financial guarantees (continued)

For indemnity that was provided to two non-controlling shareholders refer to Note 21.

26. Contingencies, Commitments and Operating Environment

The Company had no capital or other commitments as at 31 December 2019 (2018: US$ NIL).

The Company is exposed to the operating environment of the Russian Federation through the investment property held by its subsidiary which operates in the Russian Federation.

Operating environment of the Russian Federation
The Russian Federation displays certain characteristics of an emerging market. Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Russian Federation may change frequently and are subject to arbitrary interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Given that Russia produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to the prices of oil and gas on the world market. Following high volatility in natural resources prices, the ruble exchange rate and interest rates in 2018 and 2019 have been relatively stable. The Russian economy continued to be negatively impacted by ongoing political tension in the region and continuing international sanctions imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Company is at this stage difficult to determine.

Tax Contingencies
Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated, however, it may be significant to the financial position and/or the overall operations of the Company.

The Company is incorporated outside of Russia. The tax liabilities of the Company is determined on the assumption that it is not subject to Russian profits tax, because it does not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it maybe significant to the financial position and/or the overall operations of the Company.

26. Contingencies, Commitments and Operating Environment (continued)

Certain changes into Russian Tax Code that came into force starting 1 January 2015, which introduced the following concepts: (i) the "controlled foreign companies rules" (the "CFC Rules"). Under the Russian CFC Rules, in certain circumstances, undistributed profits of foreign companies and non-corporate structures (e.g., trusts, funds or partnerships) domiciled in foreign jurisdictions, which are ultimately owned and/ or controlled by Russian tax residents (legal entities and individuals), shall be subject to taxation in Russia; (ii) the concept of tax residency for legal entities. Under this concept a legal entity may be recognized as Russian tax resident if such entity is in fact managed from Russia. When an entity is recognized as Russian tax resident it is obligated to register, calculate tax on its world wide income and comply with other tax-related rules established for Russian entities; (iii) the concept of "beneficial ownership". Under the Federal Law, a beneficial owner is defined as a person holding directly, through its direct and/or indirect participation in other organizations or otherwise, the right to own, use or dispose of income, or the person on whose behalf another person is authorized to use and/or dispose of such income.

As Russian tax legislation does not provide definitive guidance in certain areas, the Company adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Company. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated, however, it may be significant to the financial position and/or the overall operations of the Company.

Cyprus economy
The Cyprus Government exited its economic adjustment programme in March 2016 and began to record significant economic growth due to the government's fiscal consolidation efforts. Cyprus enjoyed a remarkable post crisis rebound. While remaining strong, economic growth is gradually decelerating. In 2019 real GDP increased by 3.2%, following an increase of 4.1% in 2018.

In early 2020, Cyprus was still on a robust growth path. However, the global outbreak of Covid-19 and the related containment measures are expected to negatively affect GDP growth and the surplus of the primary balance.

The sovereign risk ratings of the Cyprus Government improved considerably in recent years. In October 2018 Fitch Ratings upgraded its Long-Term Issuer Default ratings for Cyprus to investment grade (BBB-) with a stable outlook with a change in October 2019 to a positive outlook. In April 2020 the outlook was changed back to stable outlook. In September 2018, S&P Global Ratings also upgraded Cyprus to investment grade (BBB-) with stable outlook. In July 2018 Moody's Investors Service upgraded Cyprus' sovereign rating to Ba2 from Ba3 with a stable outlook with a change in October 2019 to a positive outlook. The improvement in the ratings since the crisis in 2013 reflects the government's fiscal consolidation efforts, the generation of primary fiscal surpluses, a gradual stabilisation in the banking sector and the successful implementation of the economic adjustment programme.

The unemployment rate decreased to 7.7% in the second half of 2019 from 8.4% in 2018 with a further decrease to 6.7% in the first half of 2020.

Inflation remained low at 0.5% in 2019 compared to 0.8% in 2018. Overall, inflation is expected to be around 0% in 2020 and 1% in 2021 (Post-Programme Surveillance Report Cyprus, Spring 2020).

Also, the Cyprus government took additional steps for strengthening of foreclosure and insolvency framework as well as the securitisation on non-performing loans. These steps aim to the decrease of non- performing loans' index. Following the sizable reduction in NPLs in the banking sector in 2018, progress has slowed throughout 2019. Prior to the Covid-19 outbreak, non-performing loans were expected to decline significantly in 2020 due to sizeable portfolio sales. However, the final negotiations are delayed due to the current environment.

Public debt remains a challenge after rising to 100.6% of GDP in 2018 due to the public support to the banking sector. In 2019 the public debt fell to 95.5% of GDP. Looking forward to 2020, the outlook is severely affected by the COVID-19 outbreak. The public debt is expected to increase to 115.75% in 2020. In 2021, the deficit is expected to decline on the back of the expected recovery and the reversal of crisis measures. (Post-Programme Surveillance Report Cyprus, Spring 2020).

26. Contingencies, Commitments and Operating Environment (continued)

The Group's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

To the extent that information is available, the Group's management believes 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 and that the Group will be able to continue as a going concern.

27. Significant events after the reporting period

With the recent and rapid development of the Coronavirus (COVID-19) outbreak the world economy entered a period of health care crisis that has already caused and will continue to cause a major global disruption not only in business activity but in everyday life as well. Many countries have adopted extraordinary and economically costly containment measures requiring in some cases companies to limit or even suspend normal business operations and to implement restrictions on travelling and strict quarantine measures.

Certain industries such as tourism, hospitality and entertainment are expected to be disrupted significantly by these measures whereas others like manufacturing, real estate and financial services are expected to incur sideway losses. Considering the above unfortunate circumstances, the pace at which the outbreak expands and because of the high level of uncertainties due to the unpredictable outcome of this outbreak, the financial effect the current crisis could have on the global economy and the overall business activities going forward is not possible to be estimated with reasonable certainty at this stage.

There is a new increase in cases of COVID-19, which makes it possible to talk about a second wave of the pandemic. On the one hand, the second wave is perceived in society as a whole more calmly, since both the authorities and the population already more or less understand what they have to face. On the other hand, the process continues to be in the development stage, which makes it impossible to accurately predict its consequences. The Company does not exclude a delayed negative effect on its operations and financial results in 2021.

The Board of Directors have considered the unique circumstances and the risk exposures of the Company and has concluded that this global disruption will effect to Company's profitability as from 2020 with direct or indirect impact which however cannot currently be estimated (Note 2).

The Board of Directors will continue to monitor the situation closely and will reassess the impact may this have on the Company, in case the period of disruption becomes prolonged.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

On 12 May 2019 the Company acquired 100% share capital of Pieva Limited from Nikkon Global Ltd for a total consideration of EUR 1,000 (representing the equivalent of US$ 1,083).

On 27 February 2020, the loan with maturity date 28 February 2020 to a direct subsidiary company, which as at 31 December 2019 had balance of US$ 14,459 thousand was extended to 31 December 2024.

On 3 August 2020, the Company entered into a loan agreement with a third party company, as a borrower of the loan repayable no later than 31 August 2020.

On 6 August 2020, the Company entered into a loan agreement with a indirectly held subsidiary company, as a borrower of the loan repayable no later than 31 December 2026.

On 30 July 2020, the loan with maturity date 30 June 2023 to a indirectly held subsidiary company, which as at 31 December 2019 had balance of US$ 15,074 thousand was extended to 30 September 2026.

27. Significant events after the reporting period (continued)

On 30 July 2020, the loan with maturity date 30 June 2021 to a indirectly held subsidiary company, which as at 31 December 2019 had balance of US$ 4,830 thousand was extended to 28 February 2027.

On 30 July 2020, the loan with maturity date 28 February 2025 to a indirectly held subsidiary company, which as at 31 December 2019 had balance of US$ 15,406 thousand was extended to 28 February 2027.

On 10 September 2020, the loan with maturity date 10 July 2024 to a indirectly held subsidiary company, which as at 31 December 2019 had balance of US$ 23,278 thousand was extended to 28 February 2027.

During 2020, the Company paid the accrued interest, which was stand at the rate of 9%, throughout the period up to April 2020. At 30 June 2020 the direct subsidiary company agreed a structured repayment of the outstanding balance of O1 Group Limited mezzanine facility in the amount of RUB 13,949 million (equivalent to US$ 225 million as at 31 December 2019) by entering into a new syndicated facility in the amount of RUB 7,719 million (equivalent to US$ 125 million as at 31 December 2019), which will be paid in June 2023, and topping up existing senior debt facilities of subsidiaries of the Company in the total amount of RUB 6,230 million (equivalent to US$ 101 million as at 31 December 2019) which were converted into senior debt on 31 July 2020. The above syndicated facility includes RUB 2,923 million (equivalent to US$ 47 million as at 31 December 2019) relating to the participation of RTI.

There were no other material subsequent events which have an impact on the understanding of the financial statements of the Company.