RSG INTERNATIONAL LIMITED

Unaudited interim condensed consolidated financial statements

For the six-month period ended 30 June 2013

Contents

General information

Board of Directors

Marios Nicolaides
Savvas Lazarides (appointed on 17 February 2012)

Company secretary

A.J.K. Management Services Limited
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Larnaca, 6018
Cyprus

Registered office

1 Naousis, Karapatakis bldg
Larnaca, 6018
Cyprus

Independent auditors

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
36 Byron Avenue
P.O. Box 21656
1511 Nicosia
Cyprus

Interim Directors' report

The Board of Directors of RSG International Limited (the "Company") presents herewith its interim report and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013.

Principal activities

The Group is involved in real estate development in the Russian Federation.

Examination of the development, position and performance of the activities of the Group

The Board of Directors has assessed the risks set out in this report and believes that steps taken to mitigate the risks are sufficient to prevent their material adverse effect on the financial performance and financial position of the Group. Therefore: (i) the current financial position as presented in the interim condensed consolidated financial statements is considered satisfactory; (ii) the Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

Financial results and dividends

The results of the Group for the respective period are set out in the Interim Consolidated Statement of Operations and Statement of Comprehensive Income on pages 1 and 2 of the unaudited interim condensed consolidated financial statements.

The Board of Directors does not recommend the payment of a dividend.

Main risks and uncertainties

In the ordinary course of business activity, the Group is exposed to a variety of risks the most important which are credit risk, liquidity risk and market risk. These risks are identified, measured and monitored through various control mechanisms at the operating level of subsidiaries. Detailed information relating risks is set out in Note 27 of the consolidated financial statements for the year ended 31 December 2012 and is not expected to change significantly during the second half of 2013.

Share capital

The authorized and issued share capital of RSG International Limited as of 30 June 2013 consists of 6,786,205 ordinary shares of $1 each (not in thousand).

There were no changes in the share capital of the Company during the six-months period ended 30 June 2013.

Branches

The Company did not operate through any branches during the year.

Events subsequent to the reporting date

Events subsequent to the statement of financial position date are disclosed in Note 29, Subsequent Events.

Board of Directors

As at the date of this report the members of the Board of Directors are listed as follows:

Marios Nicolaides (Cypriot) – appointed on 24 March 2008
Savvas Lazarides (Cypriot) – appointed on 17 February 2012

The Company's Articles of Association do not provide for the rotation of directors. Each appointed director shall hold office until the next annual general meeting and shall be eligible for re-election.

By order of the Board

Larnaca, 5 December 2013

A.J.K. Management Services Limited
Secretary

Ernst & Young Cyprus Limited
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Report on review of interim condensed consolidated financial statements

To the shareholders of RSG International Limited

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of RSG International Limited and its subsidiaries (the "Group") as of 30 June 2013 and the related interim condensed statements of operations, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34") as adopted by European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Andreas Avraamides
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
5 December 2013

Interim consolidated statement of operations

For the six months ended 30 June 2013

(in thousands of US Dollars)

	Notes	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012* (unaudited)
Revenues	7	196,239	217,186
Cost of sales		(136,655)	(138,523)
Gross profit		**59,584**	**78,663**
General and administrative expenses	8	(13,484)	(12,381)
Other operating expense	8	(36,265)	(25,205)
Other operating income	8	3,582	5,139
Change in fair value of investment property	12	2,533	7,909
Operating profit		**15,950**	**54,125**
Finance income	8	1,315	376
Finance expense	8	(11,603)	(4,332)
Foreign exchange losses, net		(273)	(1,187)
Gain on acquisition of investments in associate		–	285
Gain on bargain purchase	3	–	5,948
Share of profits/(loss) of associates	5	244	(6,342)
Profit before income tax		**5,633**	**48,873**
Income tax expense	9	(7,918)	(14,007)
Net (loss)/profit for the period		**(2,285)**	**34,866**
Attributable to:			
Equity holders of the parent		(2,560)	33,631
Non-controlling interests		275	1,235

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2012 and reflect adjustments made in connection with the fair value measurement of acquired business and to conform with the presentation in the financial statements for the six month period ended 30 June 2013 (Notes 3, 8).

The accompanying notes on pages 6 to 25 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of comprehensive income

For the six months ended 30 June 2013

(in thousands of US Dollars)

	Notes	*Six months ended 30 June* 2013 *(unaudited)*	2012* *(unaudited)*
Net (loss)/profit for the period		**(2,285)**	**34,866**
Other comprehensive loss			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Effect of translation to presentation currency		(46,318)	(12,974)
Effect of translation to presentation currency related to associates accounted for using the equity method	5	(748)	76
Effect of translation to presentation currency related to non-controlling interests		(1,062)	(108)
Total other comprehensive loss, net of tax		**(48,128)**	**(13,006)**
Total comprehensive (loss)/income, net of tax		**(50,413)**	**21,860**
Attributable to:			
Equity holders of the parent		(49,626)	20,733
Non-controlling interests		(787)	1,127

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2012 and reflect adjustments made in connection with the fair value measurement of acquired business and to conform with the presentation in the financial statements for the six month period ended 30 June 2013 (Notes 3, 8).

The accompanying notes on pages 6 to 25 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of financial position

At 30 June 2013

(in thousands of US Dollars)

	Notes	30 June 2013 (unaudited)	31 December 2012* (audited)
Assets			
Non-current assets			
Property, plant and equipment	10	80,270	78,912
Intangible assets other than goodwill	11	14,628	19,971
Goodwill	6	10,511	11,553
Investments in associates	5	9,845	10,349
Investment properties	12	592,872	658,465
Deferred income tax assets		12,923	14,265
Interest-bearing loans receivable	14	5,965	6,843
Inventories	15	26,178	1,297
Other long-term assets	16	14,561	12,885
		767,753	**814,540**
Current assets			
Inventories	15	562,916	559,234
Trade and other receivables	17	24,605	14,128
Prepayments	16	42,808	27,475
Interest-bearing loans receivable	14	3,134	3,141
Income tax receivable		10,506	5,869
Other taxes recoverable	13	22,767	25,550
Other current assets		133	–
Cash and cash equivalents	18	42,323	56,659
		709,192	**692,056**
Total assets		**1,476,945**	**1,506,596**
Equity and liabilities			
Equity			
Issued capital	19	6,787	6,787
Share premium		671,712	671,712
Capital contribution reserve		32,364	33,133
Business combination reserve		112,009	112,009
Retained earnings		(171,596)	(169,036)
Foreign currency translation reserve		(36,665)	10,401
Equity attributable to equity holders of the parent		**614,611**	**665,006**
Non-controlling interests		16,550	17,337
Total equity		**631,161**	**682,343**
Non-current liabilities			
Interest-bearing loans and borrowings	20	233,091	234,313
Deferred income tax liabilities		108,192	118,276
Debt securities issued	21	76,147	158,112
Provisions	24	20,283	22,881
Other liabilities	25	10,868	9,996
		448,581	**543,578**
Current liabilities			
Trade and other payables	22	59,782	60,343
Advances from customers	23	194,442	117,659
Debt securities issued	21	83,066	–
Promissory notes		–	3,427
Interest-bearing loans and borrowings	20	28,125	56,979
Income tax payable		1,026	4,340
Other taxes payable		4,271	9,628
Provisions	24	21,504	20,707
Other liabilities	25	4,987	7,592
		397,203	**280,675**
Total liabilities		**845,784**	**824,253**
Total equity and liabilities		**1,476,945**	**1,506,596**

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2012 and reflect adjustments made in connection with the fair value measurement of acquired business and to conform with the presentation in the financial statements for the six month period ended 30 June 2013 (Notes 3, 8).

On 5 December 2013 the Board of Directors of RSG International Limited authorised these financial statements for issue.

Marios Nicolaides ____________ Director   Savvas Lazarides ____________ Director

The accompanying notes on pages 6 to 25 form an integral part of these interim condensed consolidated financial statements.

Consolidated statement of cash flows

For the six months ended 30 June 2013

(in thousands of US Dollars)

	Six months ended 30 June	
	2013 (unaudited)	2012* (unaudited)
Cash flows from operating activities:		
Profit before tax	5,633	48,873
Adjustments for:		
Depreciation and amortization	1,484	1,201
Interest income (Note 8)	(1,315)	(376)
Interest expense (Note 8)	11,603	4,199
Impairment of goodwill (Note 8)	228	–
Gain on bargain purchase	–	(5,948)
Change in fair value of investment properties (Note 12)	(2,533)	(7,909)
Gain on sale of property, plant and equipment	(6)	(3,492)
Write-down of inventory to net realizable value (Note 8)	15,654	13,537
Impairment of irrecoverable trade and other receivables (Note 8)	398	763
Change in provisions	3,375	1,699
Foreign exchange losses, net	272	1,187
Share of (profits)/loss of associates (Note 5)	(244)	6,342
Gain on acquisition of investments in associate	–	(285)
Loss on disposal of a subsidiary (Note 4)	566	–
Reversal of social objects construction provision	(2,929)	–
Impairment of intangible assets (Note 8, 11)	347	–
Operating cash flows before working capital changes	**32,534**	**59,791**
Changes in working capital:		
Increase in provisions	208	–
Decrease/(increase) in trade and other receivables	3,749	(4,719)
Increase in inventories	(71,302)	(43,106)
Increase in trade and other payables	3,629	11,703
Increase in prepayments	(18,240)	(10,738)
Increase in VAT receivable	(516)	(11,489)
Increase in advances received	90,488	39,785
Increase/ in other liabilities	339	474
Decrease in other taxes payable	(5,403)	(964)
Cash flows from operating activities	**35,486**	**40,737**
Income tax paid	(16,484)	(9,377)
Interest paid	(29,288)	(18,487)
Net cash flows (used in)/from operating activities	**(10,286)**	**12,873**
Cash flows from investing activities:		
Purchase of long-term assets (property, plant and equipment)	(2,936)	–
Purchase of available for sale investments (Bank of Cyprus' shares)	(140)	–
Acquisition of subsidiaries	–	(1,500)
Purchase of property, plant and equipment and intangible assets	(3,079)	(9,493)
Capital expenditure on investment properties	(2,705)	(4,291)
Issuance of loans receivable	–	(1,466)
Disposal of subsidiaries, net of cash disposed	6,830	–
Repayment of loans receivable	324	–
Net cash flows from/(used in) investing activities	**(1,706)**	**(16,750)**
Proceeds from borrowings	281,967	214,429
Repayment of borrowings	(280,457)	(226,715)
Repayment of finance lease obligation	(360)	–
Brokerage services	(115)	–
Net cash flows used in financing activities	**1,035**	**(12,286)**
Effect of exchange rate changes on cash and cash equivalents	(3,379)	(4,353)
Net decrease in cash and cash equivalents	**(14,336)**	(20,516)
Cash and cash equivalents at the beginning of the period	**56,659**	**41,646**
Cash and cash equivalents at the end of the period (Note 18)	**42,323**	**21,130**

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2012 and reflect adjustments made in connection with the fair value measurement of acquired business and to conform with the presentation in the financial statements for the six month period ended 30 June 2013 (Notes 3, 8).

The accompanying notes on pages 6 to 25 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of changes in equity

For the six months ended 30 June 2013

(in thousands of US Dollars)

	Issued capital	Share premium	Capital contribution reserve	Business combination reserve	Retained earnings	Foreign currency translation reserve	Total	Non-Controlling interest	Total equity
As at 31 December 2011 (audited)	6,787	671,712	30,695	112,009	(205,709)	(26,821)	588,673	14,137	602,810
Net profit for the period	–	–	–	–	33,631	–	33,631	1,235	34,866
Other comprehensive income	–	–	–	–	–	(12,898)	(12,898)	(108)	(13,006)
Total comprehensive income	–	–	–	–	33,631	(12,898)	20,733	1,127	21,860
Discount on loansreceived from entities under common control	–	–	583	–	–	–	583	–	583
Transfer of foreign exchange losses to capital contribution reserve	–	–	2,439	–	(2,439)	–	–	–	–
As at 30 June 2012 (unaudited)*	6,787	671,712	33,717	112,009	(174,517)	(39,719)	609,989	15,264	625,253
As at 31 December 2012 (audited)	6,787	671,712	33,133	112,009	(169,036)	10,401	665,006	17,337	682,343
Net profit for the period	–	–	–	–	(2,560)	–	(2,560)	275	(2,285)
Other reserves (Note 27)	–	–	(769)	–	–	–	(769)	–	(769)
Other comprehensive income	–	–	–	–	–	(47,066)	(47,066)	(1,062)	(48,128)
Total comprehensive income	–	–	(769)	–	(2,560)	(47,066)	(50,395)	(787)	(51,182)
As at 30 June 2013 (unaudited)	6,787	671,712	32,364	112,009	(171,596)	(36,665)	614,611	16,550	631,161

* The amounts shown here do not correspond to the financial statements for the six-month period ended 30 June 2012 and reflect adjustments made in connection with the fair value measurement of acquired business and to conform with the presentation in the financial statements for the six month period ended 30 June 2013 (Notes 3, 8).

The accompanying notes on pages 6 to 25 form an integral part of these interim condensed consolidated financial statements.

(in thousands of US Dollars)

1. Corporate information

The condensed consolidated financial statements of RSG INTERNATIONAL LIMITED (hereinafter "the Company") and its subsidiaries (hereinafter, "RSG International" or "the Group") for the six months ended 30 June 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 5 December 2013.

RSG INTERNATIONAL LIMITED was incorporated in the Republic of Cyprus on 24 March 2008 as a limited liability company under the Republic of Cyprus Companies Law, Cap.113. The Company's registered office is located at 1 Naousis Street, Karapatakis building, P.O. 6018, Larnaca, the Republic of Cyprus.

Mr. Victor Vekselberg is the ultimate controlling party of the Group.

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. For the six months ended 30 June 2013 the Group reported operating cash outflow of $10,286 and net loss of $2,285. For the six months ended 30 June 2012 the Group reported operating cash inflow of $12,873 and net profit of $34,866. Management believes that necessary financing will be available to the Group and it will be able to pay debts as they become due.

Based on the current market conditions the Board and the management have reasonable expectations that the Group has adequate resources to continue its operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparation of these interim condensed consolidated financial statements

2. Significant accounting policies

2.1 Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2013 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

The comparative information for the six months ended 30 June 2012 was changed to conform to the presentation of information in the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2013 and in accordance with Notes 3 and 8.

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19 (Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

(in thousands of US Dollars)

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 *Clarification of the requirement for comparative information* (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.
An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 *Tax effects of distributions to holders of equity instruments* (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 *Interim financial reporting and segment information for total assets and liabilities* (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment.
The Group does not disclose segment assets as they are not reported to the chief operating decision maker (CODM). As a result this amendment has no effect on the Group's disclosure in financial statements.

IAS 19 *Employee Benefits* (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.
In case of the Group, the transition to IAS 19R had an impact on the net defined benefit plan obligations due to the difference in accounting for interest on plan assets and unvested past service costs. The amendment has no effect on the financial statements.

(in thousands of US Dollars)

IFRS 7 *Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities*

Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.
IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures.* Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 11.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The accounting policies adopted are consistent with those of the previous financial year.

3. Business combinations, acquisitions and disposals of non-controlling interest

LLC "Stroy Region Holding"

On 29 June 2012, the Group acquired 100% of ordinary shares of LLC "Stroy Region Holding" (the Russian Federation) from third party for purchase consideration of $2. The main activity of LLC "Stroy Region Holding" prior to the acquisition was renting out of commercial property in Perm. Financial position and the financial results of operations of LLC "Stroy Region Holding" were included in the Group's consolidated financial statements from 29 June 2012. The initial accounting was incomplete as of 31 December 2012 due to the preliminary valuation of investment property.

The Group completed appraisal of acquired assets and liabilities of LLC "Stroy Region Holding" before 29 June 2013. The change in valuation was accounted for retrospectively.

(in thousands of US Dollars)

3. Business combinations, acquisitions and disposals of non-controlling interest (continued)

The tables below presents the items for which the initial accounting was incomplete and their effect on the major balances:

	Provisional amounts		*Adjusted amounts*	
	30 June 2012	***31 December 2012***	***30 June 2012***	***31 December 2012***
Investment property	6,900	6,970	11,400	11,879
Deferred income tax	354	588	(344)	(167)
Provisions	(4,638)	(5,300)	(4,638)	(5,300)
Net assets	2,147	1,371	5,950	5,475
Gain from bargain purchase	**2,145**	**2,145**	**5,948**	**5,948**

The table below sets forth the revised fair values of LLC "Stroy Region Holding"'s identifiable assets and liabilities at the date of acquisition:

	As at 29 June 2012 (restated)
Investment property	11,400
Trade and other receivables	40
Deferred income tax liabilities	(344)
Trade and other payables	(256)
Provisions	(4,638)
Income tax payable	(161)
Other taxes payable	(91)
Net assets	**5,950**
Purchase consideration	(2)
Gain on a bargain purchase	**5,948**

The excess of the net assets acquired over the cost of acquisition in the amount of $5,948 resulted from management's ability and power to conclude such an agreement was recognized as gain on a bargain purchase in the interim consolidated statement of operations.

CJSC "Garant"

On 1 November 2012, the Group acquired 75% of ordinary shares of CJSC "Garant" (the Russian Federation) from third party for purchase consideration of $0.2. The main activity of CJSC "Garant" is providing of security services in Ekaterinburg, Sverdlovskiy region. Financial position and the financial results of operations of CJSC "Garant" were included in the Group's consolidated financial statements from 1 November 2012.

	As at 1 November 2012
Property, plant and equipment	1,390
Inventory	31
Trade and other account receivable	96
Deferred tax assets	73
Interest-bearing loans and borrowings	(1,021)
Trade and other account payables	(525.3)
Advances received	(44)
Net assets	**(0.3)**
Non-controlling interest	(0.1)
Purchase consideration	(0.2)

(in thousands of US Dollars)

3. Business combinations, acquisitions and disposals of non-controlling interest (continued)

From the date of acquisition till December 31, 2012, CJSC "Garant" has contributed revenue of $131 and loss of $68.

Disclosure of other information in respect of business combinations

As the acquired subsidiaries did not prepare financial statements in accordance with IFRS before the business combinations, it is impracticable to determine revenues and net profit of the combined entity for each year presented on the assumption that all business combinations effected during each year had occurred at the beginning of the respective year.

4. Disposal of a subsidiary

Calianson Management Ltd and LLC "Renova-StroyGroup-Tower"

On 28 May 2013, the Group sold to a third party 100% shares of the authorized and issued capital of Calianson Management Ltd with its subsidiary LLC "Renova-StroyGroup-Tower" which main activity was renting out of commercial premises in business center. The amount of purchase consideration was $25,000.

The table below sets the carrying values of Calianson Management Ltd and LLC "Renova-StroyGroup-Tower" identifiable assets and liabilities at the date of disposal:

	As at 28 May 2013
Investment property	26,635
Inventory	21
Trade and other receivables	136
VAT recoverable	84
Cash	170
Deferred tax liabilities	(1,252)
Other taxes payable	(61)
Trade and other payables	(43)
Advances received	(124)
Net assets	**25,566**
Purchase consideration, including:	25,000
- Cash consideration received	7,000
- Deferred consideration	18,000
Pre-tax Loss on disposal of subsidiaries	566

5. Investments in associates

ZHSPK "Akademichesky"

The main asset of ZHSPK "Akademichesky" (ZHSPK) is right for lease of land plots located near Akademic City (Sverdlovsk region).

As of June 30 2013 and 31 December 2012 the voting rights of the Group in ZHSPK were 26.3%, and interest in profits of the associate was up to 47.5%.

As of 30 June 2013 and 31 December 2012 ZHSPK's net assets were $31,275 and $33,167, respectively.

The Group's share of profit in ZHSPK for the six-month period ended 30 June 2013 amounted to 244 (for the six-months ended 30 June 2012: $382).

The Group accounted for investments in associates under the equity method.

(in thousands of US Dollars)

5. Investments in associates (continued)

The movement in investments in the associate was as follows:

	ZHSPK	
	For six months ended 30 June	
	2013	**2012**
	(unaudited)	*(unaudited)*
Opening balance at 1 January (audited)	10,349	10,262
Additional investments	–	115
Share of profit for the period	244	667
Translation difference	(748)	(766)
Closing balance at 30 June (unaudited)	**9,845**	**10,278**

6. Goodwill

As of 30 June 2013 carrying amount of goodwill amounted to $10,511 (31 December 2012: $11,553) of which $10,551 relates to CJSC "Renova-StroyGroup-Krasnodar" (31 December 2012: $11,320). As of 30 June 2013 the goodwill recognized on acquisition of LLC "Tatlin" in prior periods was impaired in total amount of $217.

The Group determines whether goodwill is impaired on an annual basis (as of 30 June), or whenever indicators of impairment are present.

Goodwill was tested for impairment as of 30 June 2013. For the purpose of impairment testing the recoverable amount of goodwill has been determined based on value in use. Value in use has been calculated using cash flows projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash generating units. The key assumptions used by the management in value in use calculation are presented in the table below. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the respective business plans results using a zero real growth rate. A longer than five-year period is justified for cash flow projections used in impairment test as the management believes that cash flows for the period after five years can be measured reliably, no significant volatility in external and internal factors is expected, and the Group has past experience of using cash flow projections for the period longer than five years.

	Period of expected use, years	*Period of forecast, years*	*Pre-tax discount rate, %*	*Source of cash inflow*	*Average price per m^2 (thousands of rubles)*
CJSC "Renova-StroyGroup-Krasnodar" as at 30 June 2013	4-6	4.5-6.5	20	Inventory	25-77.8
CJSC "Renova-StroyGroup-Krasnodar" as at 30 June 2012	1.5-6.5	6.5	14-20	Inventory	51.9-101.4

7. Revenues

Revenues include the following:

	For the six months ended 30 June	
	2013	**2012**
	(unaudited)	*(unaudited)*
Sale of inventory properties	182,607	204,821
Rental income	1,764	1,602
Other revenue	11,868	10,763
	196,239	**217,186**

(in thousands of US Dollars)

7. Revenues (continued)

In the sales of residential property for the six months ended 30 June 2013 and 30 June 2012 was included imputed interest on advances received from individuals in the amount of $582 and $1,240, respectively.

The Group concluded investment contracts with local authorities for development and construction of residential districts. According to these investment contracts the Group is required to provide apartments to a number of individuals for obtaining development rights from the local authorities. Such exchange of assets represents barter transaction. Transfer of apartments to individuals constitutes sale, and revenue is recognized at market value of apartments as of the date of gaining of development rights. During the six month period ended 30 June 2013 the Group recognized such revenues in the amount of $2,530 (six months ended 30 June 2012: nil).

8. Income and expenses

Staff costs, depreciation of property, plant and equipment and amortization of intangible assets included in cost of inventories, general and administrative expenses amounted to the following:

	For the six months ended 30 June	
	2013	***2012***
	(unaudited)	***(unaudited)***
Staff costs, including social security taxes	8,831	7,054
Depreciation and amortization	1,484	1,201

Cost of sales

In the cost of sales of residential property for the six months period ended 30 June 2013 and 2012 was included imputed interest on advances received from individuals in the amount of $582 and $1,240, respectively.

General and administrative expenses

The structure of general and administrative expenses was the following:

	For the six months ended 30 June	
	2013	***2012***
	(unaudited)	***(unaudited)***
Payroll	6,205	4,536
Consulting	2,513	2,227
Security	904	754
Taxes	591	194
Representation expenses	475	602
Rent	434	427
Audit fees – current year statutory audit	372	493
Depreciation of property, plant and equipment	367	237
Telecommunication	347	347
Other professional services fees	267	361
Repair and maintenance	211	473
Utility services	105	73
Materials	87	252
Amortization of intangible assets	11	29
Other	595	1,376
	13,484	**12,381**

(in thousands of US Dollars)

8. Income and expenses (continued)

Finance income

The components of finance income were as follows:

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Interest on loans receivable	613	210
Interest on bank accounts and deposits	456	166
Other financial income	246	–
	1,315	**376**

Finance expense

The components of finance expense were as follows:

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Interest expense	11,190	4,199
Other financial expenses	413	133
	11,603	**4,332**

Other operating income

The components of other operating income were as follows:

	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Gain on sale of property plant and equipment	6	3,492
Reversal of unused provision for social objects	2,777	–
Other income	799	1,647
	3,582	**5,139**

Other operating expense

The components of other operating expenses were as follows:

	For the six months ended 30 June	
	2013	2012*
	(unaudited)	(unaudited)
Write-down of inventories to net realizable value	15,654	13,537
Commercial expenses	10,783	5,718
Other taxes (excluding income tax)	2,084	2,322
Maintenance of completed real estate property	1,634	1,258
Penalty fees	1,416	924
Loss from disposal of subsidiary	566	-
Bank services	456	393
Change in allowance for irrecoverable trade and other receivables	398	763
Impairment of intangible assets	347	–
Impairment of goodwill	228	–
Other expenses	2,699	290
	36,265	**25,205**

* The comparative amount of write down of inventories to net realizable value for the six months ended 30 June 2012 was changed to conform to presentation of information for the six months ended 30 June 2013.

(in thousands of US Dollars)

9. Income tax

The Group's income was subject to tax at the following tax rates:

	2013	*2012*
The Russian Federation	20.00%	20.00%
The Republic of Cyprus	12.5%	10.00%

Major components of income tax expense were as follows:

	For six months ended 30 June	
	2013	*2012*
	(unaudited)	*(unaudited)*
Income tax expense – current	8,295	12,206
Deferred tax expense – origination and reversal of temporary differences	(377)	1,801
Income tax expense	**7,918**	**14,007**

Net temporary differences of $413,491 and $481,990 as of 30 June 2013 and 31 December 2012, respectively, were associated with investments in subsidiaries. At 30 June 2013 and 31 December 2012 the Group did not recognize any deferred tax liability in respect of these temporary differences, as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

Cyprus tax

There is no withholding tax on payments of dividends by the Group to non-resident shareholders or shareholders that are companies resident in Cyprus. Payments of dividends to shareholders that are individual tax resident in Cyprus are subject to a 20% Special Contribution for the Defense Fund of the Republic, i.e. 'Defense Tax' (generally on a withholding basis).

10. Property, plant and equipment

Additions to construction in progress during the six months ended 30 June 2013 in the total amount of $4,639 were mainly represented by construction costs incurred on continued construction of utilities networks (for the six months ended 30 June 2012: $8,056).

The amount of borrowing costs capitalized as part of additions to property, plant and equipment during six months ended 30 June 2013 amounted to $1,625 (for the six months ended 30 June 2012: $1,137).The weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 14.25% (for the six months ended 30 June 2012: 11.84%), which is the effective interest rate on specific borrowings.

For the six months ended 30 June 2013 the Group recognized depreciation charge of $1,472 (for the six months ended 30 June 2012: $ 1,172).

(in thousands of US Dollars)

11. Intangible assets other than goodwill

Intangible assets other than goodwill consisted of the following:

	Leasehold rights (Buildings)	*Leasehold rights (Land)*	*Develop-ment rights*	*Other*	*Total*
Cost					
Balance as at 31 December 2011 (audited)	**431**	**–**	**–**	**272**	**703**
Additions	–	1,816	14,141	82	**16,039**
Reclassification from inventory	–	3,545	6,385	–	**9,930**
Translation difference	(8)	(356)	(1,362)	(11)	**(1,737)**
Balance as at 30 June 2012 (unaudited)	**423**	**5,005**	**19,164**	**343**	**24,935**
Balance as at 31 December 2012 (audited)	**457**	**5,527**	**23,378**	**371**	**29,733**
Translation difference	(33)	(395)	(1,670)	(25)	**(2,123)**
Balance as at 30 June 2013 (unaudited)	**424**	**5,132**	**21,708**	**346**	**27,610**
Accumulated amortization and impairment					
Balance as at 31 December 2011(audited)	**(65)**	**–**	**–**	**(6)**	**(71)**
Amortization charge	(11)	(345)	(2,906)	(18)	**(3,280)**
Reclassification from inventory	–	(1,894)	(84)	–	**(1,978)**
Translation difference	2	149	198	1	**350**
Balance at 30 June 2012 (unaudited)	**(74)**	**(2,090)**	**(2,792)**	**(23)**	**(4,979)**
Balance as at 31 December 2012 (audited)	**(92)**	**(2,855)**	**(6,805)**	**(10)**	**(9,762)**
Amortization charge	(11)	(370)	(3,403)	–	**(3,784)**
Impairment	(347)	–	–	–	**(347)**
Translation difference	26	223	662	–	**911**
Balance at 30 June 2013 (unaudited)	**(424)**	**(3,002)**	**(9,546)**	**(10)**	**(12,982)**
Net book value					
Balance as at 31 December 2012 (audited)	**365**	**2,672**	**16,573**	**361**	**19,971**
Balance as at 30 June 2013 (unaudited)	**–**	**2,130**	**12,162**	**336**	**14,628**

Leasehold rights (land) were mainly represented by contractual rights for rent of land in Krasnodar, Yekaterinburg (for Akademicheskiy project) and Moscow region (Losino-Petrovskiy, Sherbinka, Shelkovo, Ivanteevka).

The Group amortized leasehold rights using straight-line method over duration of rent agreement.

The Group concluded investment contracts with local authorities for construction of residential districts. As a result the Group obtained development rights of $18,050 in 2012 recognized as intangible assets in exchange of residential premises to be transferred to individuals. Carrying value of recognized development rights was determined as market value of residential premises that will be transferred to individuals.

Amortization of development and leasehold rights in amount of $3,784 was included in the carrying amount of constructed property as at 30 June 2013 (31 December 2012: $7,665).

(in thousands of US Dollars)

12. Investment properties

Investment properties consisted of the following:

	For the six months ended 30 June	
	2013	***2012***
	(unaudited)	***(unaudited)***
Opening balance at 1 January	**658,465**	**561,377**
Additions (acquisitions)	–	5,363
Additions (business combination)	–	11,400
Additions (subsequent expenditure)	4,643	5,680
Transfer from property, plant and equipment	–	3,703
Transfer (to)/from inventory	(115)	46,907
Disposal of subsidiary (Note 4)	(26,635)	–
Translation difference	(46,019)	(15,262)
Increase in fair value of investment property	2,533	7,909
Closing balance at 30 June	**592,872**	**627,077**

As at 30 June 2013 and 2012, the fair value of investment property was determined based on valuation performed by an accredited independent appraiser, who holds a recognized and relevant professional qualification and who has had recent experience in the locations and category of the investment property being valued.

The fair value of investment property was determined using the income approach and/or the sales comparison approach. The income approach is based on the assumption that the value of the property is conditional on the future benefits that the property will bring the owner within a certain period of time, and the risks associated with receiving the benefits. The sales comparison approach is based on comparative analysis of actual sales and/or asking prices for comparable properties.

Interest capitalized as part of subsequent expenditure to investment properties amounted to $1,938 and $1,393 for the six month periods ended 30 June 2013 and 30 June 2012, respectively.

The Group had income from rent of investment property of $1,047 and $913 and direct operating expenses arising from investment property that generated rental income of $781 and $211 for the six-month periods ended 30 June 2013 and 30 June 2012, respectively.

13. Other taxes recoverable

Included in other taxes is value added tax ("VAT") representing amounts payable or paid to suppliers that are recoverable from the tax authorities via offset against VAT payable to the tax authorities for the Group's revenue or direct cash receipts from the tax authorities. This VAT relates to investment property, general and administrative and other expenses, while VAT related to residential property is capitalized. The management of the Group periodically reviews the recoverability of the balance of input value added tax and believes that VAT recoverable balance of $22,517 as at 30 June 2013 (31 December 2012: $25,362) is fully recoverable during 12 months following the respective reporting date. At 30 June 2013 and 31 December 2012, VAT recoverable balance was denominated in rubles.

14. Interest-bearing loans receivable

Short-term and long-term loans receivable were as follows as of:

	30 June 2013	***31 December 2012***
	(unaudited)	***(audited)***
Long-term loans receivable		
Loans receivable from third parties	34	–
Loans receivable from related parties (Note 26)	5,931	6,843
Total long-term loans receivable	**5,965**	**6,843**
Short-term loans receivable		
Loans receivable from third parties	210	176
Loans receivable from related parties (Note 26)	2,924	2,965
Total short-term loans receivable	**3,134**	**3,141**

(in thousands of US Dollars)

14. Interest bearing loans receivable (continued)

The annual interest rates for the loans receivable were as follows:

	Short-term loans receivable		*Long-term loans receivable*	
	30 June 2013	*31 December 2012*	*30 June 2013*	*31 December 2012*
	(unaudited)	*(audited)*	*(unaudited)*	*(audited)*
Third parties	3.35-8%	3-12%	9.25%	n/a
Related parties	3.35%	3.35-12.35%	12.05%	3.35-12.35%

Loans receivable were denominated in currencies as presented below:

	30 June 2013	*31 December 2012*
	(unaudited)	*(audited)*
USD	3,076	3,070
RUR	6,023	6,914
	9,099	**9,984**

15. Inventories

Inventories consisted of the following as of:

	30 June 2013	*31 December 2012*
	(unaudited)	*(audited)*
Inventory properties under construction:		
- at cost	383,267	408,075
- at net realizable value	15,845	24,970
Constructed inventory properties:		
- at cost	156,873	101,646
- at net realizable value	32,458	25,225
Other inventories, at cost	651	615
	589,094	**560,531**
Including:		
- Current	562,916	559,234
- Non-current	26,178	1,297

Cumulative amount of write-down of inventory to net realizable value held by the Group as at 30 June 2013 is $59,434 (31 December 2012: $51,668).

The Group accrued imputed interest on advances received from individuals for residential property. The total amount of recognized imputed interest in inventory as at 30 June 2013 and 31 December 2012 was $139 and $690 respectively.

A summary of movement in inventories is set out in the table below:

	For six months ended 30 June	
	2013	*2012*
	(unaudited)	*(unaudited)*
Balance as at 1 January (audited)	**560,531**	**492,238**
Construction costs incurred	203,561	177,062
Interest capitalized	14,184	13,244
Transfer from/(to) investment property	115	(46,907)
Transfer to Intangible assets	–	(7,953)
Transfer to property, plant and equipment	(4,138)	–
Write-down of inventory to net realizable value	(12,082)	(14,427)
Disposals (recognized in cost of sales)	(129,277)	(132,045)
Disposal of LLC "Renova-StroyGroup-Tower"	(21)	–
Translation differences	(43,779)	(8,580)
Balance as at 30 June (unaudited)	**589,094**	**472,633**

(in thousands of US Dollars)

16. Other long-term assets and prepayments

Prepayments are mainly represented by advances paid by the Group for rendering management services for development project under agency agreement to the contractors of the hotel in Sochi in the amount of $36,447 and $21,405 as at 30 June 2013 and 31 December 2012, respectively.

In 2012 the Group made prepayments for acquisition of non-current assets (land lease right and investment property) which are disclosed within other long-term assets. As at 30 June 2013 the prepayments amounted to $14,561 (as at 31 December 2012: $12,885).

17. Trade and other receivables

Trade and other receivables consisted of the following as at:

	30 June 2013 (unaudited)	***31 December 2012 (audited)***
Trade accounts receivable due from third parties	2,239	5,332
Trade accounts receivable due from related parties (Note 26)	989	7,615
Other accounts receivable due from third parties	21,802	2,389
Other accounts receivable due from related parties (Note 26)	1,016	274
Allowance for irrecoverable amounts	(1,441)	(1,482)
	24,605	**14,128**

Trade and other receivables were denominated in currencies as presented below:

	30 June 2013 (unaudited)	***31 December 2012 (audited)***
RUR	5,851	13,451
USD	18,717	645
EUR	37	32
	24,605	**14,128**

As at 30 June 2013 the change in allowance for irrecoverable amounts was recognized in other operating expenses in the amount of $398 (30 June 2012: $763).

18. Cash and cash equivalents

At 30 June 2013, $9,138 of cash and cash equivalents were held in OJSC "Metkombank" (entity under common control) (30 June 2012: $11,826).

Cash and cash equivalents were denominated in currencies as presented below:

	30 June 2013 (unaudited)	***31 December 2012 (unaudited)***
RUR	41,879	56,468
USD	298	189
EUR	146	2
	42,323	**56,659**

19. Equity

Total number of outstanding shares at 30 June 2013 and 31 December 2012 was 6,786,205 of nominal value $1 (not in thousands) issued at a premium of $99 (not in thousands) each.

No dividends were declared during the six-month period ended 30 June 2013 (six months ended 30 June 2012: nil).

(in thousands of US Dollars)

20. Interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings

Non-current interest-bearing loans and borrowings consisted of the following:

Bank	*Currency*	*Maturity*	*Interest rate in 2013*	*As of 30 June 2013*	*Unused borrowing facilities as of 30 June 2013*	*Interest rate in 2012*	*As of 31 December 2012*	*Unused borrowing facilities as of 31 December 2012*
Interest-bearing loans and borrowings from third parties:								
OJSC "Sberbank of Russia"	RUR	Jul 2014 – Dec 2017	10.8-13%	163,461	253,460	10.8-13%	179,532	152,518
OJSC "Bank Otkrytie"	RUR	Oct – Dec 2016	12.4%	8,066	27,312	12.4%	34,358	99,867
OJSC "KIT Finance Investment Bank"	RUR	Oct 2014	11.5%	17,411	10,089	n/a	n/a	n/a
Other	RUR	Dec 2014 – Dec 2015	0-12.1%	565	93	0-12.1%	538	16,562
				189,503	**290,954**		**214,428**	**268,947**
Interest-bearing loans and borrowings from related parties:								
OJSC "Metcombank"	RUR	Dec 2014 – Dec 2019	9.5-12%	43,052	17,705	11.0%	19,361	18,108
Other	USD	31 Dec 2015	3.35-12%	536	–	3.0-5.5%	524	–
				43,588	**17,705**		**19,885**	**18,108**
Total non-current interest-bearing loans and borrowings				**233,091**	**308,659**		**234,313**	**287,055**

Current portion of non-current interest-bearing loans and borrowings

Current portion of non-current interest-bearing loans and borrowings consisted of the following:

Bank	*Currency*	*Maturity*	*Interest rate 2013*	*As of 30 June 2013*	*Interest rate 2012*	*As of 31 December 2012*
Interest-bearing loans and borrowings from third parties:						
OJSC "Sberbank of Russia"	RUR	Jul 2013 – Jun 2014	10.83%	3,183	10.8-13.0%	10,975
Other	RUR	Jun 2013	n/a	–	12.1-12.4%	78
				3,183		**11,053**
Interest-bearing loans and borrowings from related parties:						
OJSC "Metcombank"	RUR	Jun 2013	n/a	–	9.5-11.0%	636
				–		**636**
Total current portion of non-current interest-bearing loans and borrowings				**3,183**		**11,689**

(in thousands of US Dollars)

20. Interest-bearing loans and borrowings (continued)

Current interest-bearing loans and borrowings

Current interest-bearing loans and borrowings consisted of the following as at:

Bank	Currency	Maturity	Interest rate 2013	As of 30 June 2013	Unused borrowing facilities as of 30 June 2013	Interest rate 2012	As of 31 December 2012	Unused borrowing facilities as of 31 December 2012
Interest-bearing loans and borrowings from third parties:								
OJSC "Bank Otkrytie"	RUR	Jul 2013 – Dec 2016	7.5-12.4%	4,555	11,732	n/a	–	–
OJSC "Sberbank of Russia"	RUR	May 2014 – Dec 2017	10.83-13.5%	1,545	–	n/a	–	–
OJSC "KIT Finance Investment Bank"	RUR	Apr 2014 – Oct2014	11.50%	102	–	11.5%	29,708	–
OJSC "Credit Bank of Moscow"	RUR	Jun 2013	n/a	–	–	11.7%	13,176	–
Other	RUR	Mar 2013 – Dec 2014	0-17%	620	15,286	11.0-14.0%	679	1
				6,822	**27,018**		**43,563**	**1**
Interest-bearing loans and borrowings from related parties:								
OJSC "Metcombank	RUR	Jul 2013 – May 2015	7.25-13%	18,120	12,426	10.0%	1,727	18,043
				18,120	**12,426**		**1,727**	**18,043**
Total current interest-bearing loans and borrowings				**24,942**	**39,444**		**45,290**	**18,044**

All borrowings bear fixed interest rate as at 30 June 2013 and 31 December 2012.

Compliance with covenants

Some of the loan agreements with OJSC "Sberbank of Russia", OJSC "Bank Otkrytie", concluded in 2012-2013, provide for certain covenants in respect of several Group's subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness. The Group was in compliance with all covenants as at 30 June 2013.

Discount amortization

Amortization of the discount is included in interest expenses and $249 for the six months ended 30 June 2013 (30 June 2012: $561).

Pledged assets

At 30 June 2013, the Group had inventory with a carrying value of $462,590 (31 December 2012: $424,050), investment property with a carrying value of $176,227 at 30 June 2013 (31 December 2012: $203,112), intangible assets with a carrying value of $1,266 at 30 June 2013 (31 December 2012: nil) and property plant and equipment with a carrying value of $1,941 at 30 June 2013 (31 December 2012: nil) pledged as collateral under the loan agreements.

(in thousands of US Dollars)

20. Interest-bearing loans and borrowings (continued)

As at 30 June 2013, the Group had pledged shares of the following subsidiaries:

Lender	*Subsidiary pledged*	*Pledged share of subsidiary*	*Share of pledged subsidiary in the total consolidated assets of the Group as of 30 June 2013*	*Share of pledged subsidiary in the total consolidated revenue of the Group as of 30 June 2013*	*Net assets of pledged subsidiary (including intra-group balances) as of 30 June 2013*
OJSC "Sberbank of Russia"	CJSC "Renova-StroyGroup-Academicheskoe"	100%	55.85%	55.34%	488,183
OJSC "Credit Bank of Moscow"	OJSC "Energo-Generiruyuschaya Company"	100%	0.24%	3.02%	103,322
OJSC "Bank Otkrytie"	LLC "ElitComplex"	100%	4.52%	13.50%	44,820
OJSC "Sberbank of Russia"	CJSC TeploSetevaya Company"	100%	2.75%	4.55%	25,488
OJSC "Sberbank of Russia"	CJSC "ElectroSetevaya Company"	100%	0.94%	1.45%	18,096
OJSC "Sberbank of Russia"	CJSC "Vodosnabzhauschaya Company"	100%	1.78%	1.17%	16,416
OJSC "Bank Otkrytie"	LLC "EnKo Invest"	100%	6.86%	0.13%	13,786
OJSC "Sberbank of Russia"	CJSC "Stroitelnyj Aljans"	100%	1.24%	9.39%	9,740
OJSC "Sberbank of Russia"	LLC "Seventinth block"	100%	2.97%	1.05%	7,376
OJSC "Sberbank of Russia"	LLC "Largo"	100%	0.67%	2.96%	–
					727,227

As at 31 December 2012, the Group had pledged shares of the following subsidiaries:

Lender	*Subsidiary pledged*	*Pledged share of subsidiary*	*Share of pledged subsidiary in the total consolidated assets of the Group*	*Share of pledged subsidiary in the total consolidated revenue of the Group*	*Net assets of pledged subsidiary (including intra-group balances)*
OJSC "Sberbank of Russia"	CJSC "Renova-StroyGroup-Academicheskoe"	100%	57.6%	50.3%	508,112
OJSC "Credit Bank of Moscow"	OJSC "EnergoGeneriruyuschaya Company"	100%	0.2%	1.6%	107,633
OJSC "Sberbank of Russia"	CJSC "TeploSetevaya Company"	100%	3.3%	3.0%	26,899
OJSC "Bank Otkrytie"	LLC "MegaStroy Invest"	100%	2.5%	12.8%	21,651
OJSC "Sberbank of Russia"	CJSC "ElectroSetevaya Company"	100%	0.8%	0.8%	18,830
OJSC "Sberbank of Russia"	CJSC "VodoSnabzhauschaya Company"	100%	1.6%	1.1%	18,785
OJSC "Bank Otkrytie"	LLC "ElitComplex"	100%	4.2%	16.0%	17,403
OJSC "Bank Otkrytie"	LLC "EnKo Invest"	100%	5.4%	0.0%	14,643
OJSC "Sberbank of Russia"	CJSC "Stroitelnyj Aljans"	100%	1.9%	0.7%	6,230
OJSC "Sberbank of Russia"	LLC "Largo"	100%	1.1%	1.0%	475
					740,661

(in thousands of US Dollars)

21. Debt securities issued

In June 2011 LLC "RSG-Finance", Group's subsidiary, issued 3 billion ruble denominated bonds with a par value of 1,000 ruble each. The securities were issued at par value, mature on 18 June 2014, bear interest at a rate of 10.75% and were guaranteed by the Company. The liabilities under the bonds were accounted for at amortized cost using effective interest rate. Debt issuance costs paid by the Group in relation to the arrangement of bonds in the amount of $674 represented agent commission and arrangement costs.

On 25 December 2012 LLC "RSG-Finance", announced for a repurchase of the first issue bonds. The debt securities for the total number of 759,855 were repurchased on the market for $25,018.The interest rate after repurchase increased up to 13.25% per annum. During the six-month period ended 30 June 2013, the debt securities in the total number of 403,305 were reissued for $13,486. As at 30 June 2013 the securities for the total number of 356,550 were transferred to OJSC "Metkombank" and OJSC "Bank Otkrytie" under REPO agreements.

On 17 October 2012 LLC "RSG-Finance" issued a second tranche of 2,500 million ruble denominated bonds with a par value of 1,000 ruble each. These securities were issued at par value, mature on 14 October 2015, bear interest rate of 13.75% per annum and were guaranteed by the Company. The liabilities under the bonds were accounted for at amortized cost. Debt issuance costs paid by the Group in relation to the arrangement of second issue of bonds in the amount of $376 represented agent commission and arrangement costs.

22. Trade and other payables

Trade and other payables consisted of the following as of:

	30 June 2013 (unaudited)	*31 December 2012 (audited)*
Trade accounts payable due to third parties	53,072	51,768
Trade accounts payable due to related parties (Note 26)	240	2,305
Other accounts payable due to third parties	4,002	4,498
Other accounts payable due to related parties (Note 26)	785	145
Unused vacation accrual	1,683	1,627
	59,782	**60,343**

Trade and other payables were denominated in currencies as presented below:

	30 June 2013 (unaudited)	*31 December 2012 (audited)*
RUR	57,845	57,642
USD	1,759	2,489
EUR	178	212
	59,782	**60,343**

(in thousands of US Dollars)

23. Advances from customers

At 30 June 2013 and at 31 December 2012, advances received in the amount of $194,442 and $117,659 respectively, are mainly represented by advance payments received from individuals and legal entities for construction of residential property.

Advances received at 30 June 2013 are expected to be settled before 30 June 2014.

The Group recognized imputed interest at the rate of 15-18%% for the six months ended 30 June 2013 (2012:10.8-20%). The related interest was capitalized in inventory (Note 15).

At 30 June 2013 and 31 December 2012 advances were received in Russian rubles.

24. Provisions

Provisions consisted of the following amounts:

	Provisions for tax liability	*Bonus provision*	*Legal claims*	*Provision for construction of social objects*	*Provision for reconstruction*	*Total*
At 31 December 2012	**2,957**	**14,605**	**1,029**	**19,697**	**5,300**	**43,588**
Accrued	–	–	1,816	4,406	–	6,222
Used amounts	–	–	–	(896)	–	(896)
Unused amounts reversed	(199)	–	(290)	(3,701)	–	(4,190)
Unwinding of discount				–	298	298
Translation difference	(203)	(1,043)	(152)	(1,443)	(394)	(3,235)
At 30 June 2013	**2,555**	**13,562**	**2,403**	**18,063**	**5,204**	**41,787**

25. Other liabilities

Other current liabilities represents the obligation of the Group for the transfer of the residential premises resulted from investment contracts with local authorities of Moscow Region (refer to Note 11).

In July 2012 the Group concluded agreement for acquisition of LLC "Zolotoy Vozrast", by substance representing purchase of land lease right. As of 30 June 2013 the Group had outstanding non-current liabilities in respect of this purchase in the amount of $9,729 (2012: $9,350).

26. Balances and transactions with related parties

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as at 30 June 2013 and 31 December 2012 are detailed below:

30 June 2013 (unaudited)	*Loans receivable*	*Trade and other receivables*	*Advances paid*	*Cash and cash equivalents*	*Interest-bearing loans and borrowings*	*Trade and other payables*	*Advances received*
Shareholder of the parent company	2,924	8	–	–	536	171	25
Associates	–	355	339	–	–	119	40
Entities under common control	5,931	1,642	2	9,138	61,300	735	5,302
	8,855	**2,005**	**341**	**9,138**	**61,836**	**1,025**	**5,367**

(in thousands of US Dollars)

26. Balances and transactions with related parties (continued)

31 December 2012 (audited)	*Loans receivable*	*Trade and other receivables*	*Advances paid*	*Cash and cash equivalents*	*Interest-bearing loans and borrowings*	*Trade and other payables*	*Advances received*
Shareholder of the parent company	2,921	5	–	–	523	210	–
Associates	37	789	869	–	2	110	1
Entities under common control	6,850	7,095	–	7,808	21,723	2,130	18,841
	9,808	**7,889**	**869**	**7,808**	**22,248**	**2,450**	**18,842**

Six months ended months 30 June 2013 (unaudited)	*Revenue*	*Finance income*	*Purchases*	*Finance expenses*	*Other income/ (expenses)*	*Finance capitalization*
Shareholder of the parent company	–	29	–	13	–	–
Associates	3,431	–	153	–	(721)	–
Entities under common control	7,283	629	391	2,036	(21)	1,097
	10,714	**658**	**544**	**2,049**	**(742)**	**1,097**

Six months ended 30 June 2012 (audited)	*Revenue*	*Finance income*	*Purchases*	*Finance expenses*	*Other income/ (expenses)*	*Finance capitalization*
Shareholder of the parent company	–	31	–	11	(21)	–
Associates	2,672	43	447	–	192	–
Entities under common control	7,619	156	540	845	7,287	915
	10,291	**230**	**987**	**856**	**7,458**	**915**

The balances with related parties as at 30 June 2013 and 31 December 2012 are unsecured and settlement occurs in cash. Loans and borrowings are interest bearing, while trade and other receivables are not interest bearing.

On 12 December 2011 the Group sold to a related party, Kateb Holding S.A., 100% shares of the authorized and issued capital of Blosscrown Investments Limited for the total consideration of $1,184. Accounts receivable for the sale were not settled as at 30 June 2013.

Guarantees issued to related parties are disclosed in Note 27 to the interim condensed consolidated financial statements.

Sales to related parties were mainly represented by sales of heat to LLC "Sverdlovskaya Teplosnabzhayschaya Company" in amount $4,288 for the six months period ended 30 June 2013 (six months ended 30 June 2012: $4,547), agency services to LLC "Top Project" in amount $2,806 for the six months period ended 30 June 2013 (six months ended 30 June 2012: $2,850), water and heat to CJSC "Managing Company "Akademichesky" in amount $2,192 for the six months period ended 30 June 2013 (six months ended 30 June 2012: $2,850).

Compensation to key management personnel

Key management personnel include top managers of the Group and major subsidiaries.

Total compensation to key management personnel was included in general and administrative expenses in the consolidated statement of operations and consisted of short-term employee benefits:

	For six months ended 30 June	
	2013 (unaudited)	*2012 (unaudited)*
Salary	2,763	2,281
Performance bonuses	3,317	28
Other compensations	785	48
Social security taxes	122	339
	6,987	**2,696**

(in thousands of US Dollars)

27. Contingencies, commitments and operating risks

Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods in the Russian Federation remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. The Group is continuously evaluating application of transfer pricing rules, which could in future affect assessment of risks and contingencies. The Group estimated that at 30 June 2013 it had possible obligations from exposures to various tax risks primarily related to financial arrangements of the Group's companies. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and its practical application in Russian Federation. During last several months there was increased scrutiny from Russian tax authorities regarding to tax treatment of such transactions. In some instances, court practice, which was previously positive for the taxpayers, has changed to negative starting late 2011. Uncertainties in interpretation of applicable legislation and its practical application in Russian Federation may also lead to possible non-recoverability of certain tax assets. Russian members of our Group may be affected by this development of tax practice which could have a significant effect on the Group's financial condition and results of operations.

Contractual commitments

The Group has signed a number of contracts for the construction works as of 30 June 2013. The Group has firm contractual commitments for the construction works for an approximate amount of $251,446 as at 30 June 2013 (31 December 2012: $191,612). However, many of contracts provide for payments in installments based on specifically agreed cost of stages. It is not practicable to measure the amount of these purchase commitments, though they constitute significant amount and concern most of the construction and investment projects of the Group.

Guarantees

In 2011 LLC "Top Project" (the entity under common control outside of the Group) received loan facility from Bank for Development and Foreign Economic Affairs (Vnesheconombank). The loan matures in 2018. In connection with this loan, in April 2013 the Group provided guarantee for the loan facility. Simultaneously with the conclusion of the guarantee, the Group received (as a beneficiary) a counter-guarantee, which indemnifies the Group of any possible negative cash outflows which may occur under the guarantee agreement. The counter guarantee is issued by the parent company of the Group. The abovementioned entity has significant assets, sources of income and cash flows sufficient to fulfill such an obligation. Management of the Group concluded that the risk of negative cash outflows under the above guarantee is remote. As of 30 June 2013, fair value of the guarantee issued approximated $ 769.

(in thousands of US Dollars)

28. Segment information

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

- the project "Akademic City" (investment, residential and non-residential property);
- the project "EGK" (electricity generation and supply);
- the project "Aprelevka" (residential and non-residential property);
- the project "Perm" (residential and non-residential property);
- the project "Schelkovo" (residential and non-residential property);
- the project "Scherbinka" (residential and non-residential property);
- the project "DPS" (residential and non-residential property).

Other projects include small construction or operating rent projects due to its size or in start-up activity and are presented as "other segments".

The following tables present measures of segment revenues and segment results on management accounts in accordance with IFRS 8 and a reconciliation of revenue and segment result used by management for decision making and revenue and net result per the consolidated financial statements prepared under IFRS:

For the six months ended 30 June 2013 (unaudited)

	Akademic City	*EGK*	*Aprelevka*	*Schelkovo*	*Shcher-binka*	*Perm*	*DPS*	*Other projects*	*Total*
Segment revenue	113,112	9,469	–	35,029	54,298	27,233	69,370	120,640	429,151
Segment result	2,867	(10,663)	–	13,667	29,163	13,950	(26,626)	(29,090)	(6,732)

For the six months ended 30 June 2012 (unaudited)

	Akademic City	*EGK*	*Aprelevka*	*Schelkovo*	*Shcher-binka*	*Perm*	*DPS*	*Other projects*	*Total*
Segment revenue	153,911	9,793	327	38,093	–	436	91,525	117,092	411,177
Segment result	50,001	(7,881)	75	11,968	(15,793)	193	797	(48,839)	(9,479)

Adjustments and eliminations

Finance income and expenses, fair value gains and losses on financial assets, forex exchange gains/(losses) are not allocated to individual segments as the underlying instruments are managed on a group basis.

(in thousands of US Dollars)

28. Segment information (continued)

Reconciliation of segments' results to profit before tax

A reconciliation of the total of the reportable segments' results to the Group's profit before tax is as follows:

	30 June 2013 (unaudited)	*30 June 2012 (unaudited)*
Segment result	(6,732)	(9,479)
Accrual vs. cash basis	30,596	53,718
Amortization and depreciation	(1,484)	(1,201)
Gain on sale property plant and equipment	6	3,492
Change in fair value of investment property	2,533	7,909
Negative goodwill	–	5,948
Write-down of inventories to net realizable value	(15,654)	(13,537)
Change in allowance of irrecoverable trade and other receivables	(398)	(763)
Finance income	1,315	376
Finance expense	(11,603)	(4,332)
Gain/(loss) from write-off of loans receivable and debt forgiveness	306	(21)
Forex exchange loss, net	(273)	(1,187)
Gain of acquisition of investment in associate	–	285
Loss from disposal a subsidiary	(566)	–
Share of profit/(loss) of associates	244	(6,342)
Impairment of goodwill	(228)	–
Impairment of intangible assets	(347)	–
Group (loss)/profit	**(2,285)**	**34,866**

There were no Group's customers amounted to 10% or more of the consolidated revenues during the six months ended 30 June 2013 and 30 June 2012.

Intersegment transactions may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

29. Subsequent events

In July 2013 the Group signed a new loan agreement with OJSC "Bank Otkrytie" with a credit limit $85,237 (at the exchange rate at 30 June 2013).

In July – October 2013 the Group received $12,000 for sale of it's subsidiaries (Calianson Management Ltd and LLC "Renova-StroyGroup-Tower"), which occurred in May 2013.

On September 25, 2013 the Group concluded agreement for acquisition of 100% of ordinary shares of LLC "Odis" for the purchase consideration of 318 million Russian rubles ($9,722 at the exchange rate at 30 June 2013). The main asset of LLC "Odis" is the leasehold right for the plot of land in Moscow. In October 2013 LLC "Odis" became a subsidiary of the Group, and the Group fully settled the amounts due for the purchase of the subsidiary.

In November 2013 LLC "RSG-Finance", the Group's subsidiary, issued 3 billion ruble ($91,659) denominated bonds with a par value of 1,000 ruble each.

The securities were issued at par value, mature on 22 November 2016, bear an interest at a rate of 12.75% and were guaranteed by the Company.

RSG INTERNATIONAL LTD.