

RSG INTERNATIONAL LIMITED

Unaudited interim condensed consolidated financial statements

For the six-month period ended 30 June 2012

Contents

General information

Interim Directors' report

Report on review of interim condensed consolidated financial statements

Interim consolidated statement of operations.....	1
Interim consolidated statement of comprehensive income.....	2
Interim consolidated statement of financial position	3
Interim consolidated statement of cash flows.....	4
Interim consolidated statement of changes in equity	5

Notes to consolidated financial statements

1. Corporate information.....	6
2. Significant accounting policies.....	6
3. Business combinations	8
4. Investment in associates.....	9
5. Goodwill	10
6. Revenues	11
7. Income and expenses.....	11
8. Income tax	13
9. Property, plant and equipment	13
10. Intangible assets other than goodwill.....	14
11. Investment properties	15
12. Other taxes	15
13. Loans receivable	15
14. Inventories	16
15. Other long-term assets	17
16. Trade and other receivables.....	17
17. Cash and cash equivalents	17
18. Equity.....	17
19. Loans and borrowings	18
20. Promissory notes.....	22
21. Debt securities issued.....	22
22. Trade and other payables	22
23. Advances from customers.....	22
24. Provisions	23
25. Other liabilities.....	23
26. Balances and transactions with related parties	23
27. Contingencies, commitments and operating risks	24
28. Segment information.....	25
29. Subsequent events.....	26

General information**Board of Directors**

Marios Nicolaides
Savvas Lazarides (appointed on 17 February 2012)

Company secretary

A.J.K. Management Services Limited
1 Naousis, Karapatakis bldg
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 2012.

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 25 of the consolidated financial statements for the year ended 31 December 2011 and is not expected to change significantly during the second half of 2012.

Share capital

The authorized and issued share capital of RSG International Limited as of 30 June 2012 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 2012.

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 28, 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, 15 October 2012

A.J.K. Management Services Limited
Secretary



Report on review of interim condensed consolidated financial statements

To the Members of RSG International Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of RSG International Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2012, comprising of the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated 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* as issued by International Accounting Standards Board and adopted by the European Union (IAS 34). 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.

A handwritten signature in blue ink, appearing to read 'A. Avraamides', with a long horizontal flourish extending to the right.

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

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
15 October 2012

Interim consolidated statement of operations**For the six months ended 30 June 2012***(in thousands of US Dollars)*

	<i>Notes</i>	<i>Six months ended 30 June</i>	
		<i>2012</i>	<i>2011</i>
		<i>(unaudited)</i>	<i>(Restated)</i>
			<i>(unaudited)</i>
Revenues	6	217,186	181,888
Cost of sales	7	(143,757)	(128,305)
Gross profit		73,429	53,583
General and administrative expenses	7	(12,381)	(10,787)
Other operating expense	7	(19,971)	(27,154)
Other operating income	7	5,139	4,492
Change in fair value of investment property	11	7,909	13,340
Operating profit		54,125	33,474
Finance income	7	376	870
Finance expense	7	(4,332)	(17,646)
Foreign exchange (losses)/gains, net		(1,187)	672
Gain on acquisition of investments in associate	4	285	1,604
Share of loss/profits of associates	4	(6,342)	299
Profit before income tax		42,925	19,273
Income tax expense	8	(13,085)	(9,570)
Net profit for the year		29,840	9,703
Attributable to:			
Equity holders of the parent		28,605	9,563
Non-controlling interests		1,235	140

The accompanying notes on pages 6 to 26 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of comprehensive income**For the six months ended 30 June 2012***(in thousands of US Dollars)*

		<i>Six months ended 30 June</i>	
		<i>2012</i>	<i>2011</i>
	<i>Notes</i>	<i>(unaudited)</i>	<i>(Restated)</i>
			<i>(unaudited)</i>
Net profit		29,840	9,703
Other comprehensive (loss)/income			
Effect of translation to presentation currency		(12,974)	23,315
Effect of translation to presentation currency related to associates accounted for using the equity method	4	76	514
Effect of translation to presentation currency related to non-controlling interests		(108)	–
Total other comprehensive (loss)/income, net of tax		(13,006)	12,966
Total comprehensive income, net of tax		16,834	22,669
Attributable to:			
Equity holders of the parent		15,707	22,529
Non-controlling interests		1,127	140

The accompanying notes on pages 6 to 26 form an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of financial position

At 30 June 2012

(in thousands of US Dollars)

	Notes	30 June 2012 (unaudited)	31 December 2011 (audited)
Assets			
Non-current assets			
Property, plant and equipment	9	66,397	67,621
Intangible assets other than goodwill	10	19,956	632
Goodwill	5	10,692	10,899
Investments in associates	4	10,278	16,144
Investment properties	11	618,275	561,377
Deferred income tax assets		11,457	8,748
Interest-bearing loans receivable	13	3,759	7,417
Inventories	14	47	60,792
Other long-term assets	15	1,340	–
		742,201	733,630
Current assets			
Inventories	14	472,586	431,446
Trade and other receivables	16	22,418	10,975
Prepayments	16	16,205	8,156
Interest-bearing loans receivable	13	1,458	1,256
Income tax receivable		4,440	7,826
Other taxes recoverable	12	31,416	22,465
Cash and cash equivalents	17	21,130	41,646
		569,653	523,770
Total assets		1,311,854	1,257,400
Equity and liabilities			
Equity			
Issued capital	18	6,787	6,787
Share premium		671,712	671,712
Capital contribution reserve		33,717	30,694
Business combination reserve		112,009	112,009
Retained earnings		(179,543)	(205,709)
Foreign currency translation reserve		(39,719)	(26,820)
Equity attributable to equity holders of the parent		604,963	588,673
Non-controlling interests		15,264	14,137
Total equity		620,227	602,810
Non-current liabilities			
Interest-bearing loans and borrowings	19	170,192	159,040
Deferred income tax liabilities		112,840	111,249
Promissory notes	20	–	2,973
Debt securities issued	21	91,243	93,179
Other liabilities		435	2,206
		374,710	368,647
Current liabilities			
Trade and other payables	22	69,565	55,549
Advances from customers	23	141,358	108,842
Promissory notes	20	7,055	3,920
Interest-bearing loans and borrowings	19	63,195	91,968
Income tax payable		3,635	4,835
Other taxes payable		5,573	5,466
Provisions	24	15,605	15,363
Other liabilities	25	10,931	–
		316,917	285,943
Total liabilities		691,627	654,590
Total equity and liabilities		1,311,854	1,257,400

On 15 October 2012 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 26 form an integral part of these interim condensed consolidated financial statements.

Consolidated statement of cash flows**For the six months ended 30 June 2012***(in thousands of US Dollars)*

	Six months ended 30 June	
	2012	2011
	(unaudited)	(Restated)
		(unaudited)
Cash flows from operating activities:		
Profit before tax	42,925	19,273
<i>Adjustments for:</i>		
Depreciation and amortization	1,201	1,412
Interest income (Note 7)	(376)	(870)
Interest expense (Note 7)	4,199	17,633
Change in fair value of investment properties (Note 11)	(7,909)	(13,340)
Gain on sale of property, plant and equipment	(3,492)	(431)
Change in inventory allowance for net realizable value (Note 14)	8,303	2,065
Change in allowance for irrecoverable trade and other receivables (Note 7)	763	(274)
Change in other provisions	1,699	968
Foreign exchange losses (gains), net	1,187	(672)
Share of loss/(profits) of associates (Note 4)	6,342	(299)
Gain on acquisition of investments in associate	(285)	(1,604)
Operating cash flows before working capital changes	54,557	23,861
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(4,719)	153,585
(Increase)/decrease in inventories	(37,872)	(24,010)
Increase in trade and other payables	11,703	37,022
(Increase)/decrease in prepayments	(10,738)	1,632
Increase in VAT receivable	(11,489)	(2,480)
Increase/(decrease) in advances received	39,785	(5,706)
Decrease in other taxes payable	(964)	4,154
Increase in other liabilities	474	—
Cash flows from operating activities	40,737	188,058
Income tax paid	(9,377)	(11,214)
Interest paid	(18,487)	(12,372)
Net cash flows from operating activities	12,873	164,472
Cash flows from investing activities:		
Acquisition of subsidiaries	(1,500)	—
Disposal of subsidiaries	—	11
Purchase of property, plant and equipment and intangible assets	(9,493)	(1,419)
Capital expenditure on investment properties	(4,291)	(1,288)
Issuance of loans receivable	(1,466)	(197)
Repayment of loans receivable	—	22
Net cash flows used in investing activities	(16,750)	(2,871)
Cash flows from financing activities:		
Proceeds from borrowings	214,429	187,669
Repayment of borrowings	(226,715)	(320,095)
Net cash flows from/(used in) financing activities	12,286	(132,426)
Effect of exchange rate changes on cash and cash equivalents	(4,353)	5,366
Net (decrease)/increase in cash and cash equivalents	(20,516)	34,541
Cash and cash equivalents at the beginning of the period	41,646	36,289
Cash and cash equivalents at the end of the period (Note 16)	21,130	70,830

The accompanying notes on pages 6 to 26 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 2012***(in thousands of US Dollars)*

	<i>Issued capital</i>	<i>Share premium</i>	<i>Capital contribution reserve</i>	<i>Business combination reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>	<i>Non- controlling interest</i>	<i>Total equity</i>
As at 31 December 2010 (audited)	3,889	384,857	60,172	133,907	(256,402)	4,594	331,017	–	331,017
Net profit for the period	–	–	–	–	9,563	–	9,563	140	9,703
Other comprehensive income	–	–	–	–	–	23,855	23,855	–	23,855
Total comprehensive income	–	–	–	–	9,563	23,855	33,418	140	33,558
Discount on loans received from entities under common control	–	–	16,173	–	–	–	16,173	–	16,173
Effect of disposal of non-controlling interest	–	–	–	(14,608)	–	–	(14,608)	14,608	–
As at 30 June 2011 (Restated) (unaudited)	3,889	384,857	76,345	119,299	(246,840)	28,448	3366,000	14,748	380,748
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	–	–	–	–	28,605	–	28,605	1,235	29,840
Other comprehensive loss	–	–	–	–	–	(12,898)	(12,898)	(108)	(13,006)
Total comprehensive income	–	–	–	–	28,605	(12,898)	15,707	1,127	16,834
Discount on loans received 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	(179,543)	(39,719)	604,963	15,264	620,227

The accompanying notes on pages 6 to 26 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 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 15 October 2012.

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 2012 the Group reported operating cash inflow of \$12,873 and net profit of \$29,840. For the six months ended 30 June 2011 the Group reported operating cash inflow of \$164,472 and net profit of \$9,703. 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 2012 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 2011.

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 Standards issued but not yet effective

Standards and interpretations issued by the IASB but not yet adopted by the EU

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 financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

► IAS 12 – *Deferred Tax: Recovery of Underlying Assets* (Amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The Group has investment properties at fair value. The jurisdictions in which the Group operates do not have a different tax charge for sale or consumption of the assets. While the amendment is applicable, it has no impact on the financial statement of the Group.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.2 Standards issued but not yet effective (continued)

The following amendments to IFRSs standards did not have any impact on the accounting policies, financial position or performance of the Group:

► IFRS 7 – *Disclosures – Transfers of financial assets* (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

► IFRS 1 – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (Amendment)

When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

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. The effect of changes in the Group's accounting policies applied from January 1, 2011 on the financial information for the six months ended 30 June 2011 is described in the note 2.3 below.

2.3 Changes in accounting policy, corrections of errors and reclassifications of comparative information

In the process of preparation of the consolidated financial statements for the year ended 31 December 2011 the Group changed its accounting policy applied to accounting for land tax assessable in relation to land plots used for construction of buildings identified and corrected certain errors related to previous periods, as well as changed presentation of certain items in the financial statements, which affected the figures reflected in the interim condensed consolidated financial statements as at 30 June 2011 and for the six-month period then ended. The Group believes that the new accounting policy and presentation provide reliable and more relevant information for the users of its financial statements as it enables a better comparability with its peers. The nature and effect of the changes and corrections are presented below:

- a. The revenue and cost of sales in six-month period ended 30 June 2011 was overstated, because certain revenues and costs were incorrectly recognized in the previous reporting period.
- b. Effective 1 January 2011 the Group changed its accounting policy from expensing to capitalizing land tax directly related to the development projects of the Group as it brought the accounting policy of the Group in line with industry practice. As a result general and administrative expenses for the six months ended 30 June 2011 decreased by \$384 and cost of sales increased respectively.
- c. Direct overhead expenditures that should have been capitalized have been previously allocated to general and administrative expenses. As a result, the Group's general and administrative expenses were overstated and cost of sales was understated for the six-month period ended 30 June 2011.
- d. As of 30 June 2011 the Group overstated the net realizable value of its inventory for one of Group's project. As a result, other operating expenses were understated for the six-month period ended 30 June 2011.
- e. Before 2011 the Group classified property tax in general and administrative expenses. From 2011 the Group presents such costs under other operating expenses caption. Comparative information for the six-month period ended June 30, 2011 was reclassified accordingly.
- f. In 2009, the Group incorrectly classified two land plots as inventory whereas they met the definition of an investment property. As a result the change in the fair value of investment property was overstated for the six-month period ended 30 June 2011.

(in thousands of US Dollars)

2. Significant accounting policies (continued)**2.3 Changes in accounting policy, corrections of errors and reclassifications of comparative information (continued)**

- g. In the six-month period ended 30 June 2011 the Group recorded in the consolidated statement of operations other operating income and forex gain on certain offshore subsidiaries that related to prior periods. As a result other operating income and forex gain for the six-month period ended 30 June 2011 were overstated.
- h. Certain mathematical mistakes have occurred in the calculations of capital contribution reserve which resulted in an understatement of finance cost for the six-month period ended 30 June 2011.

The effect of adjustments on comparative information is summarized below. All of the above items were already corrected in the consolidated financial statements as at 31 December 2011 and for the year then ended, therefore there is no effect on the statement of financial position as of that date.

		<i>For the six-month period ended 30 June 2011 as previously reported</i>	<i>Corrections</i>	<i>For the six-month period ended 30 June 2011 as restated</i>
Consolidated statement of operations				
Revenue	a	186,611	(4,723)	181,888
Cost of sales	a,b,c	(127,192)	(1,113)	(128,305)
Gross profit		59,419	(5,836)	53,583
General and administrative expenses	b,c,e	(28,223)	17,436	(10,787)
Change in fair value of investment property	f	19,304	(5,964)	13,340
Other operating income/(expenses), net		(10,383)	10,383	
Other operating expenses	d,e		(27,154)	(27,154)
Other operating income	g		4,492	4,492
Operating profit		40,117	(6,643)	33,474
Finance income		837	33	870
Finance costs	h	(16,138)	(1,508)	(17,646)
Foreign exchange gain/(losses), net	g	5,008	(4,336)	672
Gain on acquisition of investment in associate		1,604	–	1,604
Share of profits of associates		299	–	299
Profit before income tax		31,727	(12,454)	19,273
Income tax expense		(13,577)	4,007	(9,570)
Net profit for the period		18,150	(8,447)	9,703

3. Business combinations*ZAO "Stroy Region Holding"*

On 29 June 2012, the Group acquired 100% of ordinary shares of ZAO "Stroy Region Holding" (the Russian Federation) from third party for purchase consideration consisted of amount satisfied by cash \$0.3 and pre-existing relationships of \$344. The main activity of ZAO "Stroy Region Holding" is the renting out of residential property in Sverdlovskiy region. Financial position and the financial results of operations of ZAO "Stroy Region Holding" were included in the Group's consolidated financial statements from 29 June 2012.

Pre-existing relationships of \$ 344 represent accounts payable by the acquired company to the Group at the date of acquisition.

*(in thousands of US Dollars)***3. Business combinations (continued)**

The Group is planning to carry out the independent appraisal of acquired assets and liabilities of ZAO "Stroy Region Holding" before December 31, 2012. The table below sets forth the provisional fair values of ZAO "Stroy Region Holding"'s identifiable assets and liabilities at the date of acquisition:

	As at 29 June 2012
Trade accounts receivable	68
VAT recoverable	1
Investment properties	2,631
Interest-bearing loans and borrowings	(1)
Trade payables	(115)
Provisions	(2,080)
Income taxes payable	(161)
Net assets	344
Purchase consideration	
- satisfied by cash	0.3
- satisfied by accounts payable	344
Total consideration	344.3
Cash flow on the acquisition was as follows:	
Net cash acquired with the subsidiary	—
Cash paid	(0.3)
Net cash inflow	(0.3)

No goodwill arises on the business combination. From the date of acquisition, ZAO "Stroy Region Holding" has not contributed any revenue or profit (loss). If the combination had taken place at the beginning of the year, the loss from continuing operations for the period would have been \$286 and revenue from continuing operations would have been \$6.

4. Investment in associates

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

ZHSPK "Akademichesky"

Main asset of ZHSPK "Akademichesky" ("ZHSPK") is a land plot with fair value of \$30,842 as of 30 June 2012 (as of 31 December 2011: \$30,660). This associate's net assets as of 30 June 2012 amounted to \$32,153 (as of 31 December 2011: \$31,714).

In the six months ended 30 June 2011 the Group acquired additional 9.38% shares of ZHSPK "Akademichesky" which resulted in an increase in the voting rights up to 22% and interest in profits of the associate up to 46.25%.

The consideration transferred by the Group comprised of 15 land plots held by OOO "Uralskaya Kompaniya Razvitiya" with the total carrying value of \$1,420. The Group recognized gain on the transaction in the total amount of \$1,604 which represented an excess of the fair value of acquired share in the net assets of ZHSPK "Akademichsky" over the total carrying value of the transferred land plots.

In the six months ended 30 June 2012 the Group acquired additional 1.25% shares of ZHSPK "Akademichesky" which resulted in an increase in the voting rights up to 21.6% and interest in profits of the associate up to 47.5%.

The consideration transferred by the Group comprised of \$115. The Group recognized gain on the transaction in the total amount of \$285 which represented an excess of the fair value of acquired share in the net assets of ZHSPK "Akademichsky" over consideration paid.

The Group's share of profit in ZHSPK for the six-month period ended 30 June 2012 amounted to \$382 (for the six-months ended 30 June 2011: \$298).

(in thousands of US Dollars)

4. Investment in associates (continued)

The movement in investments in the associate was as follows:

	ZHSPK	
	For six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
Opening balance at 1 January (audited)	10,262	5,852
Additional investments	115	1,420
Share of profit for the period	667	1,970
Translation difference	(766)	487
Closing balance at 30 June (unaudited)	10,278	9,729

CJSC "Sverdlovskoe"

In 2012 CJSC "Sverdlovskoe" was reorganized through establishment of two legal entities CJSC "Natzionalnaya Developerskaya Gruppa-Kvartal 46" (the only shareholder is ZHSPK-1, the Group's subsidiary) and CJSC "Rekonstruktsia", third party.

As a result of reorganization CJSC "Natzionalnaya Developerskaya Gruppa-Kvartal 46" obtained two land plots with total area of 124 hectares and loan and interest payable to the Group at the amount of \$5,337 and CJSC "Sverdlovskoye" had no significant assets as of 30 June 2012. The Group retained equity interest in CJSC "Sverdlovskoe" but lost significant influence and hence accounted for the equity interest as an available-for-sale financial asset which fair value approximates nil as of June 30, 2012.

The movement in investments in the associate was as follows:

	CJSC "Sverdlovskoe"	
	For six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
Opening balance at 1 January (audited)	5,882	323
Share of loss for the period	(6,724)	(68)
Translation difference	842	27
Closing balance at 30 June (unaudited)	—	282

5. Goodwill

As of 30 June 2012 the Group had goodwill resulted from the acquisition of subsidiaries (RSG-Krasnodar and Tatlin) in the previous periods in the amount of \$10,692 (31 December 2011: \$10,899).

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 2012. 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. No impairment of goodwill was identified as of 30 June 2012.

	Period of expected use, years	Period of forecast, years	Pre-tax discount rate, %	Source of cash inflow	Average price per m² (thousands of rubles)
LLC "Tatlin" as at 30 June 2012	16.5	5	21	Rental income	8,5
LLC "Tatlin" as at 30 June 2011	17.5	5	21	Rental income	6,7
CJSC "Renova-StroyGroup- Krasnodar" as at 30 June 2012	1.5-6.5	6.5	14-20	Investment property	51.9-101.4
CJSC "Renova-StroyGroup- Krasnodar" as at 30 June 2011	2.5-7.5	5	11-12	Investment property	40.4-84.7

*(in thousands of US Dollars)***6. Revenues**

Revenues include the following:

	<i>For the six months ended 30 June</i>	
	2012	2011
	(unaudited)	(Restated)
		(unaudited)
Sale of inventory properties	204,821	172,846
Rental income	1,602	1,318
Other revenue	10,763	7,724
	217,186	181,888

In the sales of residential property for the six months ended 30 June 2012 and 2011 was included imputed interest on advances received from individuals in the amount of \$1,240 and \$4,354, respectively.

7. 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:

	<i>For the six months ended 30 June</i>	
	2012	2011
	(unaudited)	(Restated)
		(unaudited)
Staff costs, including social security taxes	18,029	14,748
Depreciation and amortization	4,452	1,412

Cost of sales

In the cost of sales of residential property for the six months period ended 30 June 2012 and 2011 was included imputed interest on advances received from individuals in the amount of \$1,240 and \$4,354, respectively.

General and administrative expenses

The structure of general and administrative expenses was the following:

	<i>For the six months ended 30 June</i>	
	2012	2011
	(unaudited)	(Restated)
		(unaudited)
Payroll	4,937	3,711
Other professional services fees	1,529	1,405
Consulting	1,059	494
Security	754	705
Representation expenses	602	577
Audit fees - current year statutory audit	493	381
Repair and maintenance	473	354
Rent	427	128
Bank services	393	331
Telecommunication	347	256
Materials	252	129
Depreciation of property, plant and equipment	237	321
Taxes	194	1,221
Utility services	73	90
Amortization of intangible assets	29	17
Other	582	667
	12,381	10,787

*(in thousands of US Dollars)***7. Income and expenses (continued)***Finance income*

The components of finance income were as follows:

	<i>For the six months ended 30 June</i>	
	2012	2011
	(unaudited)	(Restated)
	(unaudited)	(unaudited)
Interest on loans receivable	210	819
Interest on bank accounts and deposits	167	51
	376	870

Finance expense

The components of finance expense were as follows:

	<i>For the six months ended 30 June</i>	
	2012	2011
	(unaudited)	(Restated)
	(unaudited)	(unaudited)
Interest expense	4,199	17,633
Other financial expenses	133	13
	4,332	17,646

Other operating income

The components of other operating income were as follows:

	<i>For the six months ended 30 June</i>	
	2012	2011
	(unaudited)	(Restated)
	(unaudited)	(unaudited)
Gain on sale of property plant and equipment	3,492	431
Change in allowance for irrecoverable trade and other receivables	–	274
Other income	1,647	3,787
	5,139	4,492

Other operating expenses

The components of other operating expenses were as follows:

	<i>For the six months ended 30 June</i>	
	2012	2011
	(unaudited)	(Restated)
	(unaudited)	(unaudited)
Write-down of inventories to net realizable value	8,303	2,065
Commercial expenses	5,718	7,708
Other taxes (excluding income tax)	2,322	1,216
Maintenance of completed real property	1,258	–
Penalty fees	924	9,449
Change in allowance for irrecoverable trade and other receivables	763	–
Loss from write-off of loans receivable (Note 13)	21	3,709
Loss from disposal of subsidiary	–	2
Other expenses	662	3,005
	19,971	27,154

(in thousands of US Dollars)

8. Income tax

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

	2012	2011
The Russian Federation	20.00%	20.00%
The Republic of Cyprus	10.00%	10.00%

Major components of income tax expense were as follows:

	<i>For six months ended 30 June</i>	
	2012	2011
	(unaudited)	(Restated) (unaudited)
Income tax expense – current	12,206	13,218
Deferred tax expense/(benefit) – origination and reversal of temporary differences	879	(3,648)
Income tax expense	13,085	9,570

Net temporary differences of \$408,840 and \$377,342 as of 30 June 2012 and 31 December 2011, respectively, were associated with investments in subsidiaries. At 30 June 2012 and 31 December 2011 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 Company 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 15% Special Contribution for the Defense Fund of the Republic, i.e. 'Defense Tax' (generally on a withholding basis). The rate of Defense Tax has been increased to 17% as of 31 August 2011.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Defense Tax at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter) will be payable on such deemed dividends distribution. Profits and to the extent that these are attributable to shareholders, who are not tax resident of Cyprus and own shares in the Company either directly and/or indirectly at the end of two years from the end of the tax year to which the profits relate, are exempted. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This Defense Tax is payable by the Company for the account of the shareholders.

9. Property, plant and equipment

Additions to construction in progress during the six months ended 30 June 2012 in the total amount of \$8,056 were mainly represented by construction costs incurred on continued construction of utilities networks and boiler facilities (for the six months ended 30 June 2011: \$4,139).

In 2010, the Group acquired land plot encumbered by building and railways for construction thermoelectric plant for Akademicheskii district. Total cost of transaction was \$1,278. Additionally the Group incurred construction cost on thermoelectric plant of \$2,354. On 25 June 2012 the Group concluded contract for sale land plot with encumbrance to JLC TKG-9 (entity under common control) and recognized a gain on disposal of the asset in the amount of \$3,492.

The amount of borrowing costs capitalized as a part of additions to property, plant and equipment during six months ended 30 June 2012 amounted to \$1,137 (for the six months ended 30 June 2011: \$401). The weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 11.84% (for the six months ended 30 June 2011: 9.91%), which is the effective interest rate on specific borrowings.

For the six months ended 30 June 2012 the Group recognized depreciation charge of \$1,172 (for the six months ended 30 June 2011: \$1,384).

(in thousands of US Dollars)

10. Intangible assets other than goodwill

Intangible assets other than goodwill consisted of the following:

	Leasehold rights (Buildings)	Leasehold rights (Land)	Development rights	Other	Total
Cost					
Balance as at 31 December 2010 (audited)	734	1,086	–	–	1,820
Additions	–	–	–	10	10
Disposals	(297)	–	–	–	(297)
Reclass to inventory	–	(884)	–	–	(884)
Translation difference	57	76	–	–	133
Balance as at 30 June 2011 (unaudited)	494	278	–	10	782
Balance as at 31 December 2011 (audited)	431	–	–	272	703
Additions	–	1,816	14,141	82	16,039
Reclass 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
Accumulated amortization and impairment					
Balance as at 31 December 2010 (audited)	(73)	(334)	–	–	(407)
Amortization charge	–	(38)	–	–	(38)
Disposal	34	–	–	–	34
Reclass to inventory	–	229	–	–	229
Translation difference	(23)	(7)	–	–	(30)
Balance as at 30 June 2011 (unaudited)	(62)	(150)	–	–	(212)
Balance as at 31 December 2011 (audited)	(65)	–	–	(6)	(71)
Amortization charge	(11)	(345)	(2,906)	(18)	(3,280)
Reclass 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)
Net Book Value					
Balance as at 31 December 2011 (audited)	366	–	–	266	632
Balance as at 30 June 2012 (unaudited)	349	2,915	16,372	320	19,956

Leasehold right (building) is a contractual right for rent of business complex in Yekaterinburg. No impairment of leasehold right (building) was identified as at 30 June 2012.

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

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

Since July 2011 the Group has been concluding investment contracts with local authorities of Moscow Region. As a result during six months ended 30 June 2012 the Group obtained development rights of \$13,560 recognized as intangible assets in exchange of residential premises. Carrying value of recognized development rights was determined as market value of living premises that will be transferred to individuals free of charge.

The Group amortized development rights on a straight-line basis proportionally to stage of completion of the related project.

(in thousands of US Dollars)

11. Investment properties

Investment properties consisted of the following:

	<i>For the six months ended 30 June</i>	
	2012	2011
	(unaudited)	(restated)
	(unaudited)	(unaudited)
Balance as at 1 January	561,377	532,423
Additions (acquisitions)	8,114	–
Additions (subsequent expenditure)	5,680	2,594
Transfer from (to) property, plant and equipment	3,703	(510)
Transfer from inventory	46,907	128
Disposals	–	(39)
Translation difference	(15,415)	45,831
Change in fair value of investment property, net	7,909	13,340
Balance as at June 30	618,275	593,767

As at 30 June 2012 and 2011, 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 \$1,393 and \$1,434 for the six-month periods ended 30 June 2012 and 30 June 2011, respectively.

The Group had income from rent of investment property of \$913 and \$611 and direct operating expenses arising from investment property that generated rental income of \$211 and \$264 for the six-month periods ended 30 June 2012 and 30 June 2011, respectively.

12. Other taxes

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 \$ 30,965 as at 30 June 2012 (31 December 2011: \$21,651) is fully recoverable during 12 months following the respective reporting date. At 30 June 2012 and 31 December 2011, VAT recoverable balance was denominated in rubles.

13. Loans receivable

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

	30 June	31 December
	2012	2011
	(unaudited)	(audited)
Long-term loans receivable		
Loans receivable from third parties	1,260	4
Loans receivable from related parties (Note 25)	2,499	7,413
Total long-term loans receivable	3,759	7,417
Short-term loans receivable		
Loans receivable from third parties	190	25
Loans receivable from related parties (Note 25)	1,268	1,231
Total short-term loans receivable	1,458	1,256

(in thousands of US Dollars)

13. Loans receivable (continued)

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

	Short-term loans receivable		Long-term loans receivable	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	(unaudited)	(audited)	(unaudited)	(audited)
Third parties	3-12%	n/a	3-11%	n/a
Related parties	3-5%	3-5%	3-11%	3-35%

Loans receivable were denominated in currencies as presented below:

	30 June 2012	31 December 2011
	(unaudited)	(audited)
USD	3,100	2,924
EUR	1,278	–
RUR	839	5,749
	5,217	8,673

14. Inventories

Inventories consisted of the following as of:

	30 June 2012	31 December 2011
	(unaudited)	(audited)
Inventory properties under construction:		
- at cost	340,078	349,198
- at net realizable value	18,245	12,282
Constructed inventory properties:		
- at cost	100,861	109,031
- at net realizable value	12,890	20,954
Other inventories, at cost	559	773
	472,633	492,238
Including:		
- Current	472,586	431,446
- Non-current	47	60,792

Cumulated amount of write-down of inventory held by the Group as at 30 June 2012 is \$ 43,551 (31 December 2011: \$36,491).

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 2012 and 31 December 2011 was \$576 and \$3,662 respectively.

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

	For six months ended 30 June	
	2012	2011
	(unaudited)	(restated)
	(unaudited)	(unaudited)
Balance as at 1 January (audited)	492,238	387,958
Construction costs incurred	177,062	139,977
Interest capitalized	13,244	15,633
Transfer to investment property	(46,907)	(128)
Transfer (to) from Intangible assets	(7,953)	655
Write-down of inventory to net realizable value	(8,303)	(2,065)
Disposals (recognized in cost of sales)	(138,169)	(119,508)
Translation differences	(8,580)	33,837
Balance as at 30 June (unaudited)	472,633	456,358

*(in thousands of US Dollars)***15. Other long-term assets**

In June 2012 the Group entered into an agreement to purchase 65% of shares in a Cyprus holding company which only investment is the subsidiary in Russian Federation. In 2012 the Group made prepayment of \$1,500 recognised as other long-term asset and the remaining amount of \$4,500 will be settled with promissory notes. The prepayment is conditional and refundable to the Group in case the seller does not fulfill its obligations under the contract.

16. Trade and other receivables

Trade and other receivables consisted of the following as at:

	30 June 2012	31 December 2011
	(unaudited)	(audited)
Trade accounts receivable	11,082	4,897
Trade accounts receivable from related parties (Note 25)	1,770	3,996
Other accounts receivable	3,963	3,015
Other accounts receivable from related parties (Note 25)	7,345	408
Allowance for irrecoverable amounts	(1,742)	(1,341)
	22,418	10,975

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

	30 June 2012	31 December 2011
	(unaudited)	(audited)
RUR	21,805	10,410
USD	582	562
EUR	31	3
	22,418	10,975

As at 30 June 2012 allowance for irrecoverable amounts was recognized in other operating expenses in the amount of \$763 (30 June 2011: release of allowance in the amount of \$274 in other operating income).

17. Cash and cash equivalents

At 30 June 2012, \$11,826 of cash and cash equivalents were held in OAO "Metcombank" (related party) (31 December 2011: \$26,129).

At 30 June 2012 and 31 December 2011 cash equivalents of \$1,029 represent promissory notes of OJSC "Mestomnank".

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

	30 June 2012	31 December 2011
	(unaudited)	(audited)
RUR	21,054	41,458
USD	69	188
EUR	7	—
	21,130	41,646

18. Equity

Total number of outstanding shares at 30 June 2012 and 31 December 2011 was 6,786,205 of nominal value \$1 (not in thousands) each, of which 6,786,205 were issued at a premium of \$99 each (not in thousands).

No dividends were declared during the six-month period ended 30 June 2012 (six months ended 30 June 2011: nil).

(in thousands of US Dollars)

19. Loans and borrowings*Non-current loans*

Non-current loans and borrowings consisted of the following as at:

Bank	Currency	Maturity	Interest rate 2012	As of 30 June 2012	Unused borrowing facilities as of 30 June 2012	Interest rate 2011	As of 31 December 2011	Unused borrowing facilities as of 31 December 2011
Loans from third parties								
OJSC Sberbank of Russia	RUR	July 2013-December 2016	10,83-13%	111,943	234,243	10,83-13%	105,686	45,768
OJSC Bank Otkrytie	RUR	July 2013-December 2016	12.40%	31,900	92,409	11,4-12,4%	28,204	47,157
OJSC MTS-Bank	RUR	August 2014-May 2015	11,5-12,0%	457	15,447	10.50%	5,207	10,635
CJSC Raiffeisenbank	RUR	March 2014	11.50%	—	6,469	—	—	—
Other	RUR	July 2013-December 2014	4-14,0%	424	—	—	504	—
Total loans from third parties:				144,724	348,568		139,601	103,559
Loans from related parties								
OJSC Metcombank	RUR	December 2019	11.00%	17,921	—	11.00%	18,358	—
RENOVA INDUSTRIES Limited	USD	December 2015	3.00%	3,405	22,180	3.00%	616	22,180
Zapanco Limited	RUR	December 2015	3.00%	2,727	—	—	—	—
Other	USD	December 2014-December 2015	3-5,5%	1,415	—	3-5,5%	465	—
Total loans from Related parties:				25,468	22,180		19,439	22,180
Total Non-current loans:				170,192	370,748		159,040	125,739

*(in thousands of US Dollars)***19. Loans and borrowings (continued)***Current portion of non-current loans*

Current portion of non-current loans and borrowings consisted of the following as at:

Bank	Currency	Maturity	Interest rate 2012	As of 30 June 2012	Interest rate 2011	As of 31 December 2011
<i>Loans from Third parties</i>						
OJSC Sberbank of Russia	RUR	July 2012- June 2013	10.83-13%	12,137	10.83-13%	37,174
CJSC Raiffeisenbank	RUR	July 2012- June 2013	11.50%	8,703	—	—
OJSC Moscow Credit Bank	RUR	December 2012	—	—	10.00%	12,502
Other	RUR	December 2012-June 2013	12.10- 12.40%	7	11.40%	2
Total loans from Third parties:				20,847		49,678
<i>Loans from Related parties</i>						
OJSC "Metcombank"	RUR	July 2012- June 2013	11.00%	509	—	—
RENOVA STROY HOLDING LimitedD	USD	December 2012	—	—	3.00%	225
RENOVA INDUSTRIES Limited	USD	December 2012	—	—	3.00%	3,321
Total loans from Related parties:				509		3,546
Total Current portion of non- current loans:				21,356		53,224

(in thousands of US Dollars)

19. Loans and borrowings (continued)*Current loans*

Current loans and borrowings consisted of the following as at:

Bank	Currency	Maturity	Interest rate 2012	As of 30 June 2012	Unused borrowing facilities as of 30 June 2012	Interest rate 2011	As of 31 December 2011	Unused borrowing facilities as of 31 December 2011
Loans from Third parties								
OJSC KIT Finance Investment Bank	RUR	April 2013	10.5-11.5%	15,238	—	10.50%	12,406	3,106
OJSC Moscow Credit Bank	RUR	June 2013	11.00%	12,285	—	10.00%	—	—
OJSC Bank Otkrytie	RUR	June 2013	11.40%	7,391	907	11.40%	—	—
Other	RUR	December 2012–June 2013	10.2-20%	3	—	10.75-20%	3,162	—
Total loans from third parties:				34,917	907		15,568	3,106
Loans from Related parties								
OJSC Metcombank	RUR	September 2012	9.0-10.0%	6,921	—	—	—	—
Zapanco Limited	RUR	September 2011	3.00%	—	—	—	2,780	—
LLC Top Project	RUR	December 2012	—	—	—	8.85%	20,396	—
Total loans from Related parties:				6,921	—		23,176	—
Total Current loans:				41,839	907		38,744	3,106

Loans and borrowings were denominated in currencies as presented below:

	30 June 2012 (unaudited)	31 December 2011 (audited)
RUR	228,566	245,672
USD	4,821	5,336
	233,387	251,008

The interest rate for the loans and borrowings were as follows:

	Current loans and borrowings		Non-current loans and borrowings	
	30 June 2012 (unaudited)	31 December 2011 (audited)	30 June 2012 (unaudited)	31 December 2011 (audited)
Third parties	10-13%	10-20%	10-13%	4-13%
Related parties	3-11%	3-15%	3-11%	3-11%

All borrowings bear fixed interest rate as at 30 June 2012 and 31 December 2011.

Unused borrowing facilities

The Group had unused borrowing facilities in the total amount of \$371,654 and \$128,845 as of 30 June 2012 and of 31 December 2011 respectively.

Discount amortisation

Amortization of the discount is included in interest expenses for the six months ended 30 June 2012 and 2011 amounted to \$561 and \$8,396, respectively.

(in thousands of US Dollars)

19. Loans and borrowings (continued)*Pledged assets*

As at 30 June 2012 the Group has pledged shares of certain companies, inventories and investment properties as collateral under the loan agreements.

As at 30 June 2012, the Group had inventory with a carrying value of \$358,740 (31 December 2011: \$304,340) and investment property with a carrying value of \$195,462 (31 December 2011: \$179,020) pledged as collateral under the loan agreements.

As at 31 December 2011, the Group had pledged shares of the following subsidiaries:

<i>Lender</i>	<i>Subsidiary pledged</i>	<i>Pledged share of subsidiary</i>	<i>Share of pledged subsidiary in the total consolidated assets</i>	<i>Share of pledged subsidiary in the total consolidated revenue</i>	<i>Net assets of pledged subsidiary (including intra-group balances)</i>
OJSC Sberbank of Russia	CJSC Renova-StroyGroup-Academicheskoe	100%	61.12%	54.16%	412,947
OJSC Moscow Credit Bank	OJSC EnergoGeneriruyuschaya Company	100%	0.46%	2.83%	97,151
OJSC Sberbank of Russia	CJSC TeploSetevaya Company	100%	2.90%	5.80%	19,140
OJSC Sberbank of Russia	CJSC ElectroSetevaya Company	100%	0.49%	3.08%	15,907
OJSC Sberbank of Russia	CJSC Vodosnabzhauschaya Company	100%	1.58%	2.51%	13,960
OJSC Bank Otkrytie	LLC ElitComplex	100%	5.63%	10.72%	12,611
OJSC MTS-Bank	LLC Seventinth block	100%	1.90%	0.00%	6,957
OJSC Sberbank of Russia	CJSC Stroitelnyi alians	100%	0.38%	2.90%	5,613
OJSC Sberbank of Russia	LLC Largo	100%	1.28%	0.13%	1,412
					585,698

As at 30 June 2012, the Group had pledged shares of the following subsidiaries:

<i>Lender</i>	<i>Subsidiary pledged</i>	<i>Pledged share of subsidiary</i>	<i>Share of pledged subsidiary in the total consolidated assets</i>	<i>Share of pledged subsidiary in the total consolidated revenue</i>	<i>Net assets of pledged subsidiary (including intra-group balances)</i>
OJSC Sberbank of Russia	CJSC Renova-StroyGroup-Academicheskoe	100%	54.43%	64.35%	443,032
OJSC Moscow Credit Bank	OJSC EnergoGeneriruyuschaya Company	100%	0.72%	2.29%	99,772
OJSC Bank Otkrytie	LLC ElitComplex	100%	6.01%	9.40%	24,247
OJSC Sberbank of Russia	CJSC TeploSetevaya Company	100%	2.93%	2.66%	16,520
OJSC Sberbank of Russia	CJSC ElectroSetevaya Company	100%	0.65%	0.13%	15,455
OJSC Sberbank of Russia	CJSC Vodosnabzhauschaya Company	100%	1.53%	0.19%	12,950
OJSC MTS-Bank	LLC Seventinth block	100%	1.48%	3.55%	8,116
OJSC Sberbank of Russia	CJSC Stroitelnyi alians	100%	1.00%	0.00%	5,393
OJSC Bank Otkrytie	LLC EnKo Invest	100%	2.81%	0.00%	4,191
OJSC Sberbank of Russia	LLC Largo	100%	1.46%	0.01%	1,480
					631,156

*(in thousands of US Dollars)***20. Promissory notes**

In 2010 the Group has issued promissory notes with redemption date from September 2012 to March 2013 and interest rate 10%. As at 30 June 2012 promissory notes payable consisted of the current portion of \$7,055. As at 31 December 2011 promissory notes payable consisted of the current portion of \$3,920 and non-current portion of \$2,973.

21. Debt securities issued

In June 2011 LLC RSG-Finance, the Group's subsidiary, issued \$91,416 ruble denominated bonds with a par value of \$30 (not in thousands) each (equivalent to 1000 RUR). These securities were issued at par value, mature on 18 June 2014, bear an interest at a rate of 10.75% and were guaranteed by the Company. The liabilities under the bonds were accounted for at amortized cost.

For the six months ended June 30, 2011 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. For the six months ended 30 June 2012 agent commission costs related to debt maintenance amounted to \$48.

22. Trade and other payables

Trade and other payables consisted of the following as of:

	30 June 2012 <i>(unaudited)</i>	31 December 2011 <i>(audited)</i>
Trade accounts payable	54,037	38,239
Trade accounts payable from related parties (Note 25)	216	2,464
Other accounts payable	8,098	12,681
Other accounts payable from related parties (Note 25)	160	171
Other accruals	7,054	1,994
	69,565	55,549

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

	30 June 2012 <i>(unaudited)</i>	31 December 2011 <i>(audited)</i>
RUR	66,379	43,326
USD	2,921	12,223
EUR	265	—
	69,565	55,549

23. Advances from customers

At 30 June 2012 and at 31 December 2011, advances received in the amount of \$ 141,358 and \$108,842 respectively, were mainly represented by advance payments received from individuals and legal entities for construction of residential property.

Advances received at 30 June 2012 are expected to be settled before 30 June 2013.

The Group recognized imputed interest at the rate of 15-19.5%% for the six months ended 30 June 2012 (the six months ended 30 June 2011: 12.8-19.5%). The related interest was capitalized in inventory (Note 14).

At 30 June 2012 and 31 December 2011 advances were received in Russian rubles.

(in thousands of US Dollars)

24. Provisions

As at 30 June 2012 and 31 December 2011, provisions consisted provision for tax liabilities in the amount of \$3,272 and \$2,792, provision for bonuses in the amount of \$12,333 and \$12,571, respectively.

25. Other liabilities

Other 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 10).

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 2012 and 31 December 2011 are detailed below:

30 June 2012 (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	2,953	5	—	—	(511)	(189)	—
Associates	814	930	—	—	—	(124)	(2)
Entities under common control	—	8,180	576	11,826	(32,387)	(63)	(663)
	3,767	9,115	576	11,826	(32,898)	(376)	(665)
31 December 2011 (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	2,924	2	—	—	(4,439)	(195)	—
Associates	5,720	1,381	—	—	—	(723)	—
Entities under common control	—	3,021	176	26,129	(41,721)	(1,717)	(2,934)
	8,644	4,404	176	26,129	(46,160)	(2,635)	(2,934)
Six months ended months 30 June 2012 (unaudited)		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	(541)	(845)	(7,287)	(915)
		10,291	230	(987)	(856)	(7,458)	(915)
Six months ended 30 June 2011 (Restated (unaudited))		Revenue	Finance income	Purchases	Finance expenses	Other income/ (expenses)	Finance capitalization
Shareholder of the parent company	—	—	—	(3,672)	(53)	—	—
Associates	999	—	530	(291)	—	—	—
Entities under common control	79	—	260	(81)	(13,468)	—	(3,690)
		1,078	790	(4,044)	(13,521)	—	(3,690)

The balances with related parties as at 30 June 2012 and 31 December 2011 are unsecured and settlement occurs in cash. Loans and borrowings are interest bearing, while trade and other receivables are not interest bearing.

*(in thousands of US Dollars)***26. Balances and transactions with related parties (continued)**

On 23 March 2012 the Company has provided guarantee for loan facility in the amount of USD 155 million received by Top Project LLC (entity under common control) from Bank for Development and Foreign Economic Affairs (Vnesheconombank). The loan matures in 2018. At 30 June 2012 the fair value of the guarantee was de minimis.

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:

	<i>For six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>(unaudited)</i>	<i>(restated)</i>
		<i>(unaudited)</i>
Salary	2,281	1,477
Performance bonuses	28	—
Other compensations	48	76
Social security taxes	339	73
	2,696	1,626

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 preceeding 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 estimated that at 30 June 2012 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.

Operating lease commitments

In June 2012 the Group has entered into agreement for a five year rent of land plot with CJSC Terranova.

Future minimum rental payable under the operating lease is as follows:

	<i>30 June</i>
	<i>2012</i>
	<i>(unaudited)</i>
Within one year	13,393
After one year but no more than five years	35,684
	49,077

(in thousands of US Dollars)

27. Contingencies, commitments and operating risks (continued)**Contractual commitments**

The Group has signed a number of contracts for the construction works as of 30 June 2012. The Group has firm contractual commitments for the construction works for an approximate amount of \$328,846 as at 30 June 2012 (31 December 2011: \$334,261). 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

On 23 March 2012 the Company has provided guarantee for loan facility in the amount of USD 155 million received by Top Project LLC (entity under common control) from Bank for Development and Foreign Economic Affairs (Vnesheconombank). The loan matures in 2018. At 30 June 2012 the fair value of the guarantee was de minimis.

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 "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 2012 (unaudited)

	Akademic City	EGK	Aprelevka	Schelkovo	Scherbinka	DPS	Other projects	Total
Segment revenue	153,911	9,793	327	38,093	–	91,525	117,528	411,177
Accrual vs. cash basis	(4,228)	5,284	1,379	(16,262)	–	(89,185)	(29,262)	(132,274)
Elimination of intra-group revenue	(268)	(9,754)	(1,594)	–	–	–	(50,099)	(61,715)
Revenue per IFRS consolidated financial statements	<u>149,414</u>	<u>5,323</u>	<u>111</u>	<u>21,831</u>	<u>–</u>	<u>2,340</u>	<u>38,167</u>	<u>217,188</u>

For the six months ended 30 June 2011 (unaudited)

	Akademic City	EGK	Aprelevka	Schelkovo	Scherbinka	DPS	Other projects	Total
Segment revenue	295,304	9,703	30,040	24,414	–	5,125	54,293	418,879
Accrual vs. cash basis	(153,091)	6,243	(1,307)	(20,849)	–	(4,986)	(117,416)	(291,406)
Elimination of intra-group revenue	(24,775)	(9,522)	0	0	–	0	88,713	54,416
Revenue per IFRS consolidated financial statements	<u>117,438</u>	<u>6,424</u>	<u>28,733</u>	<u>3,565</u>	<u>–</u>	<u>139</u>	<u>25,590</u>	<u>181,889</u>

(in thousands of US Dollars)

28. Segment information (continued)**For the six months ended 30 June 2012 (unaudited)**

	Akademic City	EGK	Aprelevka	Schelkovo	Scherbinka	DPS	Other projects	Total
Segment result	50,001	(7,881)	75	11,968	(15,793)	797	(48,647)	(9,479)

For the six months ended 30 June 2011 (unaudited)

	Akademic City	EGK	Aprelevka	Schelkovo	Scherbinka	DPS	Other projects	Total
Segment result	187,803	(9,216)	25,435	(2,915)	(591)	273	(33,816)	166,973

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.

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 2012 (unaudited)	30 June 2011 (restated) (audited)
Segment result	(9,479)	166,973
Accrual vs. cash basis	49,273	(149,941)
Amortization and depreciation	(1,201)	(1,412)
Gain on sale of property plant and equipment	3,492	431
Change in fair value of investment property	7,909	13,340
Write-down of inventories to net realizable value	(8,303)	(2,065)
Change in allowance for irrecoverable trade and other receivables	(763)	274
Finance income	376	870
Finance expenses	(4,199)	(17,633)
Loss from from write-off of loans receivable	(21)	(3,709)
Forex exchange (loss)/gain, net	(1,187)	672
Gain of acquisition of investment in associate	285	1,604
Share of (loss)/profit of associates	(6,342)	299
Group profit	29,840	9,703

During the six months ended 30 June 2012, 9% of the Group's consolidated revenues were received upon the fulfillment of the Contractual obligations with the Ministry of Defense of the Russian Federation (six months ended 30 June 2011: 21%). No any other of the Group's customers amounted to 10% or more of the consolidated revenues during the six months ended 30 June 2012 and 2011.

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

29. Subsequent events

In July-October 2012 the Group settled obligations under a loan agreement with CB Otkritie in the total amount of \$8,171.

In July-October 2012 the Group partially repaid its obligations under existing credit facilities in the total amount of \$152,472 (at the exchange rate at 30 June 2012).

In July- October 2012 the Group received loan in the total amount of \$222,813 (at the exchange rate at 30 June 2012).