

RSG INTERNATIONAL LIMITED

Consolidated financial statements

For the year ended 31 December 2013

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General information

Board of Directors

Marios Nicolaides
Sawas Lazarides

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

Directors' report

The Board of Directors of RSG International Limited (the "Company") presents herewith its report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 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 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 periods are set out in the Statement of Operations and Statement of Comprehensive Income on pages 1 and 2 of the consolidated financial statements.

The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

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 to these risks is set out in the IFRS consolidated notes in Note 28, Financial risk management objectives and policies.

Share capital

There were no changes in the share capital of the Company during the year ended 31 December 2013.

The authorized and issued share capital of RSG International Limited as of 31 December 2013 consists of 6,786,205 ordinary shares of \$1 each.

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 30, 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 Lazaridis (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.

Auditors

The independent auditors of the Company, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution proposing their re-appointment and authorizing the Board of Directors to fix their remuneration will be submitted to the Members at the Annual General Meeting of the Company.

By order of the Board

A.J.K. Management Services Limited
Secretary

Larnaca,
27 June 2014



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Independent auditor's report

To the Members of RSG International Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of RSG International Limited (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



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

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
27 June 2014

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
27 June 2014

Consolidated statement of operations**For the year ended 31 December 2013***(in thousands of US dollars)*

	<i>Notes</i>	<i>Years ended 31 December</i>	
		2013	2012*
Revenue	7	624,069	624,475
Cost of sales		<u>(435,280)</u>	<u>(422,210)</u>
Gross profit		188,789	202,265
General and administrative expenses	8	(26,316)	(33,084)
Other operating income	8	4,090	6,152
Other operating expenses	8	(65,675)	(56,412)
Change in fair value of investment property	12	<u>(6,759)</u>	<u>1,931</u>
Operating profit		94,129	120,852
Finance income	8	5,488	1,560
Finance costs	8	(26,289)	(8,851)
Foreign exchange(losses)/gain, net		(729)	1,751
Gain on a bargain purchase	3	-	5,948
Share of losses of associates	5	(1,210)	(6,720)
Impairment of goodwill		<u>(222)</u>	<u>-</u>
Profit before income tax from continuing operations		71,167	114,540
Income tax expense	9	<u>(28,964)</u>	<u>(33,788)</u>
Net profit for the period from continuing operations		42,203	80,752
Attributable to:			
Equity holders of the parent		41,248	78,448
Non-controlling interests		955	2,304

* The amounts shown here do not correspond to the financial statements for year ended 31 December 2012 and reflect adjustments made in connection with the fair value measurement of acquired business (Note 3).

Consolidated statement of comprehensive income**For the year ended 31 December 2013***(in thousands of US dollars)*

	Years ended 31 December	
Notes	2013	2012*
Net profit	42,203	80,752
Other comprehensive income/(loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Effect of translation to presentation currency	(49,635)	38,117
Other comprehensive (loss)/income, net of tax	(49,635)	38,117
Total comprehensive (loss)/income, net of tax	(7,432)	118,869
Attributable to:		
Equity holders of the parent	(7,323)	115,669
Non-controlling interests	(109)	3,200

* The amounts shown here do not correspond to the financial statements for year ended 31 December 2012 and reflect adjustments made in connection with the fair value measurement of acquired business (Note 3).

Consolidated statement of financial position**At 31 December 2013***(in thousands of US dollars)*

	Notes	31 December 2013	31 December 2012*
Assets			
Non-current assets			
Property, plant and equipment	10	83,184	78,912
Intangible assets	11	15,637	19,971
Goodwill	6	10,505	11,553
Investments in associates	5	8,932	10,349
Investment properties	12	592,914	658,465
Deferred tax asset	9	18,997	14,265
Interest-bearing loans receivable	14	3,009	6,843
Inventories	15	13,731	1,297
Other long-term assets		2,268	12,885
		<u>749,177</u>	<u>814,540</u>
Current assets			
Income tax receivable		1,705	5,869
Inventories	15	543,119	559,234
Trade and other receivables	16	149,711	14,128
Prepayments	17	36,139	27,475
Interest-bearing loans receivable	14	345	3,141
Taxes recoverable	13	21,761	25,550
Cash and cash equivalents	18	94,827	56,659
		<u>847,607</u>	<u>692,056</u>
Total assets		<u>1,596,784</u>	<u>1,506,596</u>
Equity and liabilities			
Equity			
Issued capital	19	6,787	6,787
Share premium		671,712	671,712
Capital contribution reserve		23,339	33,133
Business combination reserve		112,009	112,009
Accumulated loss		(127,788)	(169,036)
Translation differences		(38,170)	10,401
Equity attributable to equity holders of the parent		<u>647,889</u>	<u>665,006</u>
Total non-controlling interest		17,228	17,337
Total equity		<u>665,117</u>	<u>682,343</u>
Non-current liabilities			
Interest-bearing loans and borrowings	20	199,613	234,313
Debt securities issued	21	76,904	158,112
Deferred income tax liabilities	9	105,492	118,276
Provisions	25	13,466	22,881
Other liabilities	23	30,796	9,996
		<u>426,271</u>	<u>543,578</u>
Current liabilities			
Trade and other payables	22	85,903	74,949
Advances from customers	24	123,693	117,659
Debt securities issued	21	159,777	-
Interest-bearing loans and borrowings	20	29,754	60,406
Income taxes payable		14,833	4,340
Other taxes payable		3,732	9,628
Provisions	25	20,409	6,101
Other liabilities	23	67,295	7,592
		<u>505,396</u>	<u>280,675</u>
Total liabilities		<u>931,667</u>	<u>824,253</u>
Total equity and liabilities		<u>1,596,784</u>	<u>1,506,596</u>

* The amounts shown here do not correspond to the financial statements for year ended 31 December 2012 and reflect adjustments made in connection with the fair value measurement of acquired business (Notes 3).

On 27 June 2014 the Board of Directors of RSG International Limited authorised these financial statements for issue.

Marios Nicolaidis

Director

Savvas Lazarides

Director

The accompanying notes on pages 6 to 54 form an integral part of these consolidated financial statements. 3

Consolidated statement of cash flows**For the year ended 31 December 2013***(in thousands of US dollars)*

	Year ended 31 December 2013	Year ended 31 December 2012*
Cash flows from operating activities		
Profit before tax	71,167	114,540
<i>Adjustments for:</i>		
Depreciation and amortization (Note 8, 10)	3,660	2,433
Gain on bargain purchase (Note 3)	-	(5,948)
Finance income (Note 8)	(5,488)	(1,560)
Finance expenses (Note 8)	26,289	8,851
Change in fair value of investment properties (Note 12)	6,759	(1,931)
Loss/(gain) on sale of property, plant and equipment (Note 8)	130	(3,840)
Impairment of intangible assets (Note 11)	338	-
Write-down of inventory to net realizable value (Note 15)	20,507	12,685
Impairment of irrecoverable trade and other receivables (Note 8)	206	586
Change in provisions	6,284	12,493
Impairment of goodwill (Note 6)	222	-
Foreign exchange losses/(gains)	729	(1,943)
Share of losses of associates (Note 5)	1,210	6,720
Loss on sale of a subsidiary (Note 8)	709	-
Reversal of social objects construction provision (Note 25)	(3,721)	-
Operating cash flow before working capital changes	129,001	143,086
Decrease in provisions	(2,355)	(6,510)
Increase in trade and other receivables	(37,794)	(16,813)
Increase in inventories	540	(26,058)
Increase/(decrease) in trade and other payables	41,006	(4,838)
Decrease/(increase) in prepayments	1,628	(18,407)
Increase in VAT receivable	(854)	(4,600)
Increase in advances received	33,561	4,755
Decrease/(increase) in other taxes payable	(7,471)	1,430
Increase in other liabilities	13,070	-
Cash flows from operating activities	170,332	72,045
Income tax paid	(23,139)	(37,361)
Interest paid	(60,070)	(44,948)
Interest reimbursed by governmental bodies	736	865
Net cash flows from/(used in) operating activities	87,859	(9,399)
Cash flows from investing activities		
Acquisition of subsidiary (Note 3)	-	(2)
Prepayments for long-term assets	(2,859)	-
Acquisition of investment in associate	(515)	-
Disposal of subsidiaries, net of cash disposed	24,802	-
Purchase of property, plant and equipment	(8,612)	(9,717)
Purchase of investment properties	(22,277)	(6,519)
Issuance of loans receivable	(67,644)	(6,705)
Purchase of intangible assets	-	(1,789)
Proceeds from sale of property, plant and equipment	-	7,322
Interest-free financing provided	45,749	-
Repayment of interest free financing	(122,908)	-
Repayment of interest receivable	12	165
Net cash used in investing activities	(154,252)	(17,245)
Cash flows from financing activities		
Repayment of finance lease obligation	(654)	(598)
Proceeds from borrowings	753,384	706,372
Repayment of borrowings	(642,048)	(628,103)
Dividends paid to shareholders	-	(39,336)
Brokerage services	155	-
Net cash flows from financing activities	110,837	38,335
Effect of exchange rate changes on cash and cash equivalents	(6,276)	3,322
Net increase in cash and cash equivalents	38,168	15,013
Cash and cash equivalents at the beginning of the period	56,659	41,646
Cash and cash equivalents at the end of the period	94,827	56,659

* The amounts shown here do not correspond to the financial statements for year ended 31 December 2012 and reflect adjustments made in connection with the fair value measurement of acquired business (Note 3).

The accompanying notes on pages 6 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 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	6,787	671,712	30,694	112,009	(205,709)	(26,820)	588,673	14,137	602,810
Profit for the year	-	-	-	-	78,448	-	78,448	2,304	80,752
Other comprehensive income	-	-	-	-	-	37,221	37,221	896	38,117
Total comprehensive income	-	-	-	-	78,448	37,221	115,669	3,200	118,869
Dividends paid to shareholders	-	-	-	-	(39,336)	-	(39,336)	-	(39,336)
Transfer of foreign exchange losses from capital contribution reserve	-	-	2,439	-	(2,439)	-	-	-	-
As at 31 December 2012*	6,787	671,712	33,133	112,009	(169,036)	10,401	665,006	17,337	682,343
Profit for the year	-	-	-	-	41,248	-	41,248	955	42,203
Other comprehensive income	-	-	-	-	-	(48,571)	(48,571)	(1,064)	(49,635)
Total comprehensive income	-	-	-	-	41,248	(48,571)	(7,323)	(109)	(7,432)
Capital distributions to shareholder (Note 19)	-	-	(9,025)	-	-	-	(9,025)	-	(9,025)
Other reserve (Note 27)	-	-	(769)	-	-	-	(769)	-	(769)
As at 31 December 2013	6,787	671,712	23,339	112,009	(127,788)	(38,170)	647,889	17,228	665,117

* The amounts shown here do not correspond to the financial statements for year ended 31 December 2012 and reflect adjustments made in connection with the fair value measurement of acquired business (Note 3).

*(in thousands of US dollars)***1. Corporate information**

The consolidated financial statements of RSG INTERNATIONAL LIMITED (hereinafter "the Company") and its subsidiaries (hereinafter, "RSG International" or "the Group") for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 27 June 2014.

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. The parent Company of the Group is Kortros Holding Ltd.

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

Principal activities

Principal activities of the Group include investments in and construction of real estate properties for their further sale, rent or holding for capital appreciation purposes and construction of business and residential property in Moscow, Yekaterinburg, Yaroslavl, Krasnodar, Perm and other regions in the Russian Federation. The Group specializes on projects of Complex Territories Development (CTD), which envisage creation of balanced city-building solution (residential properties, infrastructure, work, social sphere, leisure) and its implementation on the specific land plot.

The consolidated financial statements include the financial statements of RSG INTERNATIONAL LIMITED and its subsidiaries. The major subsidiaries are listed in the following table:

<i>No</i>	<i>Entity</i>	<i>Country of incorporation</i>	<i>Activity</i>	<i>Effective ownership interest at 31 December 2013</i>	<i>Effective ownership interest at 31 December 2012</i>
1	CJSC "Contractor Relations Center"	Russia	Management services	100%	100%
2	LLC "Renova-StroyGroup-Tauer"	Russia	Real estate development	n/a	100%
3	LLC "Garazh-S"	Russia	Real estate development	100%	100%
4	CJSC "Renova-StroyGroup-Akademicheskoe"	Russia	Real estate development	97%	97%
5	LLC "Semnadtsaty Kvartal"	Russia	Real estate development	100%	100%
6	CJSC "Yaroslavl-9"	Russia	Real estate development	100%	100%
7	LLC "PSP Express"	Russia	Real estate development	100%	100%
8	LLC "ElitComplex"	Russia	Real estate development	100%	100%
9	CJSC "Stroitelnyj Aljans"	Russia	Real estate development	100%	100%
10	LLC "Atman"	Russia	Real estate development	100%	100%
11	CJSC "Renova-StroyGroup-Krasnodar"	Russia	Real estate development	100%	100%
12	LLC "MegaStroy Invest"	Russia	Real estate development	100%	100%
13	LLC "Tatlin"	Russia	Rental income	n/a	100%
14	LLC "RSG-Finance"	Russia	Financial services	100%	100%

Going concern

These 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 year ended 31 December 2013 the Group reported operating cash inflow of \$87,859 and net profit of \$42,203. For the year ended 31 December 2012 the Group reported operating cash outflow of \$9,399 and net profit of \$80,752.

In the next twelve months the Group expects to finance its operating and investing activities primarily with cash generated from operations, through attraction of additional borrowings from banks, issue long-term bonds and renegotiating of its short-term loans. Management believes that necessary financing will be available to the Group and it will be able to pay debts as they become due.

At 31 December 2013, the Group was in compliance with all of its financial covenants. 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 consolidated financial statements.

*(in thousands of US dollars)***2. Significant accounting policies****2.1 Basis of preparation****Statement of compliance**

These consolidated financial statements of the Group for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, CAP. 113.

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except when otherwise stated further.

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand except when otherwise indicated. At 31 December 2013 the principal rate of exchange used for translating foreign currency balances was 32.7292 RUR/US dollar (USD) (2012: 30.3727 RUR/USD). The average rate for 2013 was 31.8480 RUR/USD (2012: 31.0930 RUR/USD).

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2013.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company's, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated.

To correspond to 2013 presentation of the Statement of Financial Position and Income Statement, certain reclassifications were made to 2012 figures. The amounts shown for the comparative period do not correspond to the financial statements for the year ended 31 December 2012 and reflect adjustments made in connection with the fair value measurement of acquired business (Note 3).

2.2 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Issued by the IASB and adopted by the European Union

Standard	Content of change	Effective for (date)	Effect on the financial statements
IFRS 10 <i>Consolidated Financial Statements</i> , IAS 27 <i>Separate Financial Statements</i> (Revised)	IFRS 10 replaces the portion of IAS 27 <i>Consolidated and Separate Financial Statements</i> that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 <i>Consolidation – Special Purpose Entities</i> (clarification of control definition)	Annual periods beginning on or after 1 January 2014	Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of companies of the Group
IFRS 11 <i>Joint Arrangements</i>	IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.	Annual periods beginning on or after 1 January 2014	These amendments will not impact the Group's financial position or performance as the Group has no JCEs
IFRS 12 <i>Disclosures of Interests in Other Entities</i>	These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required including: <ul style="list-style-type: none"> • A requirement to disclose judgements made in determining if the Group controls, has joint control or significant influence over an entity; • A requirement to disclose judgements made in determining the type of joint arrangement in which the Group has an interest. 	Annual periods beginning on or after 1 January 2014	These amendments will not impact the Group's financial position or performance

(in thousands of US dollars)

2. Significant accounting policies (continued)**2.2 Standards issued but not yet effective (continued)**

Standard	Content of change	Effective for (date)	Effect on the financial statements
IFRS 14 <i>Regulatory Deferral Accounts</i>	IFRS 14 <i>Regulatory Deferral Accounts</i> permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.	Annual periods beginning on or after 1 January 2016	Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.
IAS 28 <i>Investments in Associates and Joint Ventures</i> (revised)	As a consequence of the new IFRS 11 <i>Joint Arrangements</i> , and IFRS 12 <i>Disclosure of Interests in Other Entities</i> , IAS 28 <i>Investments in Associates</i> , has been renamed to IAS 28 <i>Investments in Associates and Joint Ventures</i> , and describes the application of the equity method to investments in joint ventures in addition to associates	Annual periods beginning on or after 1 January 2014	These amendments are not expected to impact the Group's financial position or performance
IAS 32 <i>Offsetting Financial Assets and Financial Liabilities</i> – Amendments to IAS 32	These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.	Annual periods beginning on or after 1 January 2014	These amendments are not expected to be relevant to the Group.
<i>Investment Entities</i> (Amendments to IFRS 10, IFRS 12 and IAS 27)	Accounting of joint arrangements and consolidation (clarification of control definition). The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.	Annual periods beginning on or after 1 January 2014	It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.
IAS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i> – Amendments to IAS 39	These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.	Annual periods beginning on or after 1 January 2014	The Group has no derivatives, therefore these amendments will not influence the Group's financial statements.
IAS 36 <i>Recoverable Amount Disclosures for Non-Financial Assets</i> – Amendments to IAS 36 <i>Impairment of Assets</i>	These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period.	Annual periods beginning on or after 1 January 2014 (effective retrospectively with earlier application permitted)	The Group assess the effect of the amendments will be on disclosures only. The Group does not expect that these amendments will have material financial impact in future financial statements.
<i>Transition Guidance</i> (Amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as "the beginning of the annual reporting period in which IFRS 10 is applied for the first time". The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i> to provide transition relief.	The guidance is effective for annual periods beginning on or after 1 January 2014.	Based on the preliminary analyses performed, the amendments are not expected to have any significant impact on the financial statements of the Group

(in thousands of US dollars)

2. Significant accounting policies (continued)**2.2 Standards issued but not yet effective (continued)****Issued by the IASB but not yet adopted by the European Union**

Standard	Content of change	Effective for (date)	Effect on the financial statements
IFRS 9 <i>Financial Instruments: Classification and Measurement</i>	The first phase of IFRS 9, which addressed classification and measurement of financial assets was published in November 2009, and was subsequently amended in October 2010 and November 2013, to include classification and measurement requirements of financial liabilities and hedge accounting requirements. IFRS 9 (2013) does not yet have a mandatory effective date, but early adoption is allowed.	No effective date	The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.
IAS 19 <i>Defined Benefit Plans: Employee Contributions (Amendments)</i>	These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.	Annual periods beginning on or after 1 July 2014 (with earlier application permitted).	These amendments will not impact the Group's financial position or performance as the Group has no post-employment benefits, termination benefits and other long-term benefits
IFRIC Interpretation 21 <i>Leases (IFRIC 21)</i>	IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.	Annual periods beginning on or after 1 January 2014	The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.
Annual Improvements to IFRSs 2010-2012 Cycle			
IFRS 8 <i>Operating Segments Aggregation of operating segments</i> Reconciliation of the total of the reportable segments' assets to the entity's assets	The amendment clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar". The amendment clarifies that the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.	Annual periods beginning on or after 1 January 2014.	The adoption of these amendments will influence the disclosure of the Group in terms of disclosure of judgments. The Group does not disclose segments assets.
IFRS 13 <i>Fair Value Measurement</i> Short-term receivables and payables	The amendment clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.	Annual periods beginning on or after 1 January 2014.	The amendment will not significantly influence the Group's financial statements.

(in thousands of US dollars)

2. Significant accounting policies (continued)**2.2 Standards issued but not yet effective (continued)**

Annual Improvements to IFRSs 2010-2012 Cycle (continued)			
IFRS 3 <i>Business Combinations</i> Accounting for contingent consideration in a business combination	The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).	Annual periods beginning on or after 1 January 2014.	The Group will assess the impact of amendment on the financial statements when it will become effective
Annual Improvements to IFRSs 2011-2013 Cycle			
IAS 40 <i>Investment Property</i> Interrelationship between IFRS 3 and IAS 40 (ancillary services)	The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.	Annual periods beginning on or after 1 January 2014. The amendment is applied retrospectively	The Group will consider the effect of amendment in future purchases of assets or business acquisitions.

2.3 Changes in accounting policies and disclosures**New and amended standards and interpretations**

The Group applied, for the first time, amendments to IAS 1, IAS 19 (revised), IFRS 13 *Fair Value Measurement* which resulted in additional disclosures in the consolidated financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group. The nature and the impact of each new standards and amendments are described below:

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 OCI. Items that will be reclassified ("recycled") to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)

These amendments clarify 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 amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Group's financial position or performance.

*(in thousands of US dollars)***2. Significant accounting policies (continued)****2.3 Changes in accounting policies and disclosures (continued)****IAS 19 (Revised)**

The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability), including actuarial gains and losses, are recognised in OCI with no subsequent recycling to profit or loss;
- Expected returns on plan assets are no longer recognised in profit or loss. Expected returns are replaced by recording interest income in profit or loss, which is calculated using the discount rate used to measure the pension obligation;
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new and revised disclosure requirements. These new disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption;
- Termination benefits are recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
- The distinction between short-term and other long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.

Adoption of IAS 19 (Revised) did not have significant impact on the Group's financial statements as the Group does not operate any defined benefit plans.

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. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 28.

2.4 Significant accounting judgements, estimates and assumptions

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

Judgements

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

Acquisition of companies

The Group exercises judgment in deciding whether the acquisition of companies is an acquisition of asset or a business combination, considering relevant factors, analyzing transaction terms and applying the definitions of asset and business combination stated in respective IFRS.

Revenue recognition

The management's judgment was that the significant risks and rewards associated with the apartments were transferred to the buyer when the act of acceptance between the Group and the buyer was signed, rather than at the moment of signing the act of finalisation of the investment contract between construction company and the government of Moscow which was not signed as at the end of the reporting period.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Litigations

The Group exercises judgement in measuring and recognizing provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. Revisions to the estimates may significantly affect future operating results. More details are provided in Note 27.

Fair value of investment properties

Investment property is stated at fair value as at the reporting date. Gains or losses arising from changes in the fair values are included in the statement of operations in the year in which they arise.

The fair value of investment properties is determined based on valuations performed by an accredited independent valuer. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Estimates to determine the fair value are based on valuation techniques which require considerable judgement in forecasting future cash flows and developing other assumptions. The Group performed selection of the method of valuation considering the following methods:

- Income approach / Discounted cash flow (DCF) method;
- Income approach / Combination of Sales comparison method and Discounted cash flow (DCF) method;
- Comparative method.

In the course of this analysis the advantages and disadvantages of each applied technique were considered in relationship to the property being appraised and to the market. In the end the final conclusions on the Investment property market and fair values are made based on all relevant factors and best judgment.

Techniques used for valuing investment property

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property.

The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

Comparative method includes collection of data of sales and offers of properties similar to evaluated properties. The prices for similar properties are then adjusted for significant parameters which differentiate the properties. After adjustment prices may be used for determining market prices of the evaluated properties. The comparables method takes into account the supply and demand parity on the market, as well as other external factors.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair values of assets and liabilities acquired in business combinations

The Group is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates.

Such estimates are based on valuation techniques which require considerable judgment in forecasting future cash flows and developing other assumptions.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2012 and 2013 no impairment loss was identified and recognized by the Group.

The determination of impairment of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The determination of the recoverable amount of a CGU involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in used and, ultimately, the amount of any impairment.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis as of 30 June, or whenever indicators of impairment are present. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group assesses whether the indicators of goodwill impairment exist as of 31 December each year. More details are provided in Note 6.

Development costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model capitalized.

Current taxes

The Group recognizes liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which the determination is made. More details are provided in Note 27.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Allowances

Inventory is stated at the lower of cost and net realizable value (NRV) (Note 15). NRV is assessed with reference to market conditions and prices existing at the statement of financial position date and is determined by the Group's sales and marketing managers. Estimates of NRV of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the end of the reporting period to the extent that such events confirm conditions existing at the end of the period. As of 31 December 2013 and 2012, allowance for net realizable value in respect of inventories amounted to \$67,847 and \$51,668, respectively (Note 15).

The Group makes allowances for doubtful accounts receivable and loans receivable to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As of 31 December 2013 and 2012 allowances for doubtful accounts in respect of accounts receivables had been made in the amount of \$1,151 and \$1,483 (Note 16).

Deferred income tax assets

Deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from that estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of operations.

2.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The non-controlling interest (formerly known as minority interest) is measured at the proportionate share of the acquiree's identifiable net assets.

Contingent consideration transferred in a business combination is initially measured at its fair value calculated as the sum of the acquisition-date fair values of the assets transferred and the liabilities incurred to the former owners of the acquired company and the equity interest issued.

Goodwill is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of acquiree's acquisition-date identifiable assets acquired and liabilities assumed. If the sum above is lower than the fair value of acquiree's acquisition-date identifiable assets acquired and liabilities assumed, the difference is recognized in profit or loss as gain on a bargain purchase.

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

Where goodwill forms part of the CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Acquisition of non-controlling interest

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity in business combination reserve and attributed to the owners of the parent.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.5 Business combinations and goodwill (continued)

Acquisitions of controlling interests in subsidiaries from entities under common control

Acquisitions of controlling interest in entities in transactions with parties under common control with the Group are accounted for using the pooling of interest method.

The assets and liabilities of entities transferred under common control are recorded at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill inherent in the Predecessor's original acquisition is also recorded in the financial statements. Any difference between the total book value of the acquired net assets, and the consideration paid is accounted for in the financial statements as an adjustment to the shareholders' equity.

2.6 Investments in associates

The Group's investments in its associates are accounted for using the equity method and are initially recognized at cost, including goodwill. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognized in the statement of operations, and its share of movements in other comprehensive income is recognized in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.7 Foreign currency translation

The companies of the Group which are incorporated in the Republic of Cyprus and in other jurisdictions (primarily in the Russian Federation) maintain their accounting records in Russian rubles ("rubles") and prepare their statutory financial statements in accordance with IFRS as adopted by the European Union (EU) and the requirements of the Republic of Cyprus Companies Law, Cap.113 and in accordance with the Regulations on Accounting and Reporting of the Russian Federation, respectively. These financial statements are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with the Group's accounting policies. The principal adjustments relate to use of fair values and income taxes.

The presentation currency of the Group is the US dollar because the presentation in US dollars is convenient for the major current and potential users of the consolidated financial statements.

The functional currency of the Group's subsidiaries is the Russian ruble. As at the reporting date, the assets and liabilities of the subsidiaries with functional currency other than the US dollar are translated into the presentation currency at the rate of exchange effective at the statement of financial position date, and their statements of operations are translated at the weighted average exchange rates for the year. The exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a subsidiary with a functional currency other than the US dollar, the cumulative amount recognized in equity relating to that particular subsidiary is recognized in the statement of operations.

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate effective at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the statement of financial position date. All resulting differences are taken to the statement of operations as foreign exchange gains/losses.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.8 Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, and quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR). Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of operations. The losses arising from impairment are recognised in the statement of operations in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in the statement of operations in finance costs and removed from the available-for-sale reserve.

The Group evaluates whether its ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management intends significantly change to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity investments is permitted only when the entity has the ability and intent to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the statement of operations.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.8 Financial instruments (continued)

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of operations. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of operations. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of operations.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.8 Financial instruments (continued)

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of operations – is removed from other comprehensive income and recognized in the statement of operations.

Impairment losses on equity investments are not reversed through the statement of operations; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of operations.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of operations, the impairment loss is reversed through the statement of operations.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, debts securities issued, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of operations.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

*(in thousands of US dollars)***2. Significant accounting policies (continued)****2.8 Financial instruments (continued)***Loans, borrowings and debt securities issued*

After initial recognition, interest bearing loans and borrowings, debt securities issued are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of operations when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of operations.

Transaction costs for redemption/repurchase of debt securities issued

Transaction costs for redemption/repurchase of debt securities issued are recognized in the statement of operations even if the Group intends to resell it in the near term.

Besides, the part of initially capitalised costs regarded to repurchased debt instruments are recognized in the statement of operations.

iv) Offsetting of financial instruments

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

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

2.9 Cash and cash equivalents

Cash in the statement of financial position comprises cash at banks and in hand, short-term deposits with an original maturity of three months or less.

2.10 Value added tax

Tax legislation of the Russian Federation permits settlement of value added tax ("VAT") on a net basis.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Completed property and property under development

Completed property and property under development is property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. Such property is stated at the lower of cost or net realizable value. Cost is based on the individual cost method and includes the following:

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

*(in thousands of US dollars)***2. Significant accounting policies (continued)****2.11 Inventories (continued)**

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

Inventories are classified as current when the following conditions are met: i) construction is ongoing; ii) the completion and the sale of the asset is anticipated to occur in near future and as part of the normal construction period, which is typically in the following 12-24 months, and no significant delays in construction are expected. Otherwise the inventory is classified as non-current.

The operating cycle of a construction project may exceed 12 months. Inventories are classified as current, even if within 12 months after the reporting date their sales not expected.

The Group concludes investment and co-investment contracts for construction of residential premises with local authorities. These investment contracts could impose on the Group the following requirements:

- ▶ construction and free of charge transfer of certain social objects, such as schools and kindergartens, to local authorities, after the completion. Incurred cost and recognized obligations are recognized on gross up basis in the financial statements;
- ▶ construction of infrastructure objects (water, heat and electricity supply systems, roads and etc.) related to constructing residential districts;
- ▶ construction of certain objects for public use (e.g., parking places), for which the Group doesn't expect to receive sufficient compensation from customers to cover costs for construction of these objects.

If the conclusion of such contracts is the part of the receipt of investment rights and the Group consider such costs as directly attributable to constructing buildings then costs for the construction of abovementioned objects are included in total costs of construction of buildings, to which these investment rights are related.

2.12 Property, plant and equipment

Property, plant and equipment are recorded at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment. Such cost includes the cost of replacing part of plant and equipment when that cost is incurred if the recognition criteria are met. At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognized as an expense (impairment loss) in the statement of operations.

An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Depreciation is calculated on a straight-line basis. The depreciation periods, which represent the estimated useful economic lives of the respective assets, are as follows:

	<i>Number of years</i>
Buildings	30 to 50
Fitting and fixtures	30
Office equipment and others	3 to 10
Leasehold improvements	Lower of useful life and operating lease term

An item of property, plant and equipment and any its significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of operations when the asset is derecognized.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalized, and the assets replaced are retired.

When each major inspection is performed, its cost is recognized as a component in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.13 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of operations in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is either recognized in the statement of operations in the expense category consistent with the function of the intangible asset or is capitalized in cost of inventories being under construction.

Development rights are amortized on a straight-line basis proportionally to stage of completion of the related project. Leasehold rights are amortized using straight-line method over duration of rent agreement.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. When there is an indication that the carrying value of these assets may be impaired, the test for impairment is performed immediately. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of operations when the asset is derecognized.

2.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of operations in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of operations unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.15 Investment property

Investment property comprises completed property and property under construction (principally offices, commercial warehouse and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held to earn rentals or for capital appreciation or both, or the land with currently undetermined future use.

A property interest that is held by a Group under an operating lease is classified and accounted for as investment property if the property meets the definition of an investment property and the Group uses the fair value model for the asset recognised.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of a day to day servicing. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains and losses arising from changes in the fair values of investment properties are included in the statement of operations in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of operations in the year of retirement or disposal. Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the statement of operations. When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the statement of operations.

Interest costs on borrowings to finance the construction and development of investment property are capitalized, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

2.16 Deferred income taxes

Deferred tax assets and liabilities are calculated in respect of temporary differences using the statement of financial position method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

*(in thousands of US dollars)***2. Significant accounting policies (continued)****2.17 Leases**

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

Group as a lessee

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

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

Operating lease payments are recognized as an expense in the statement of operations on a straight line basis over the lease term.

Operating lease contracts – Group as lessor

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

Operating lease payments from lessees are recognized as revenue in the statement of operations on a straight line basis over the lease term.

2.18 Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

2.19 Equity*Issued capital and share premium*

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as a share premium.

Capital contribution reserve

Capital contribution reserve includes the effect of discounting of loans received from the entities under common control under the terms different from the market terms.

Business combination reserve

Business combination reserve represents:

- The difference between net assets of the acquired subsidiaries and consideration paid at the acquisition, that have been accounted for using the pooling of interests method, and also the effect of changes in group structure including the reorganization of parent company.
- The differences between the carrying values of non-controlling interest in entities acquired and the consideration given for such increase.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.19 Equity (continued)

Foreign currency translation reserve

Foreign currency translation reserve reflects the effect of translation of accounts from functional currency to presentation currency.

Dividends

Dividends are recognized as a liability and deducted from equity at the statement of financial position date only if they are declared before or on the statement of financial position date. Dividends are disclosed when they are proposed before the statement of financial position date or proposed or declared after the statement of financial position date but before the financial statements are authorized for issue.

2.20 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues from sales of inventory are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue from rendering of services is recognized in the period the services are provided based on the total contract value and the percentage completed. The percentage of completion is determined by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date to the total costs incurred and the estimated costs to complete.

Other revenue includes the following types: revenue from heating, water, electricity and energy sales, agency fees, which is recognized in the period when the service is actually rendered.

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

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

Premiums received to terminate leases are recognized in the statement of operations when they arise.

2.21 Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of operations.

2.22 Exchange transactions

The Group enters into investment agreements to construct buildings, where a certain number of apartments and/or commercial area should be given away to the local authorities (as well as certain infrastructure facilities should be constructed) in exchange for development rights. This exchange is regarded as a transaction that generates revenue. When the fair value of developments rights received can be measured reliably the revenue is measured at the fair value of the developments rights, adjusted for any cash or cash equivalents transferred. When the fair value of developments rights received cannot be measured reliably the revenue is measured at the fair value of real estate properties given up, adjusted for any cash or cash equivalents transferred.

2.23 Employee benefits

State pension scheme

In the normal course of business the Group contributes to the Russian state pension, social insurance, medical insurance and unemployment funds at the statutory rates in force, based on gross salary payments. Mandatory contributions to the governmental pension scheme are expensed when incurred. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits.

2.24 Classification of assets and liabilities

The Group's normal operating cycle is not clearly identifiable therefore it is assumed to be twelve months. Assets and liabilities are classified as current if they are expected to be realized or settled within the twelve months after the balance sheet date, except for the inventory and advances received from customers, which are classified as current during the duration of the normal construction cycle, which generally varies between 12 and 24 months. All other assets and liabilities are classified as non-current.

(in thousands of US dollars)

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.

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

	<i>Provisional amounts</i>		<i>Adjusted amounts</i>	
	<i>30 June 2012</i>	<i>31 December 2012</i>	<i>30 June 2012</i>	<i>31 December 2012</i>
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:

	<i>As at 29 June 2012 (restated)</i>
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 consolidated statement of operations.

From the date of acquisition, CJSC "Stroy Region Holding" has contributed revenue of \$4 and loss of \$807 for 2012. If the combination had taken place at the beginning of 2012 year, the loss from continuing operations for 2012 financial year would have been \$1,108 and revenue from continuing operations would have been \$10.

*(in thousands of US dollars)***3. Business combinations, acquisitions and disposals of non-controlling interest (continued)***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	141
Deferred tax assets	28
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)

From the date of acquisition, CJSC "Garant" has contributed revenue of \$1,137 and loss of \$316.

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 subsidiaries*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:	
- Cash consideration received	25,000
- Loss on disposal of subsidiary	566
Net cash inflow	24,830

*(in thousands of US dollars)***4. Disposal of subsidiaries (continued)***LLC "Tatlin"*

On 31 July 2013, the Group sold to a third party 100% shares of the authorized and issued capital of LLC "Tatlin" which main activity was renting out of commercial premises in business center. The amount of purchase consideration was \$0.3.

The table below sets the carrying values of LLC "Tatlin" identifiable assets and liabilities at the date of disposal:

	<i>As at 31 July 2013</i>
Property, plant and equipment	3
Inventory	1
Trade and other receivables	120
VAT recoverable	73
Cash	26
Deferred tax assets	386
Other taxes payable	(15)
Trade and other payables	(317)
Advances received	(36)
Net assets	241
Purchase consideration	0,3
Loss on disposal of subsidiary	241
Net cash inflow	215

5. Investment in associates

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

ZHSPK "Akademicheskoy"

The main asset of ZHSPK "Akademicheskoy" (ZHSPK) is right for lease of land plots located near Academic City (Russian Federation, Ural Region).

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

As of 31 December 2013 and 2012 ZHSPK's net assets were represented mainly by the non-current assets and amounted to \$28,200 and \$33,167, respectively.

The effect on financial statements of movement of investment in the associate was as follows:

	<i>ZhSPK "Akademicheskoe"</i>	
	<i>2013</i>	<i>2012</i>
Opening balance as at 1 January	10,349	10,262
Additional investments	515	115
Share of loss for the year	(1,718)	(630)
Translation difference	(716)	602
Closing balance at 31 December	8,430	10,349

CJSC UK Akademicheskoy

The Group has 25% + 1 share in CJSC UK Akademicheskoy, acquired in 2011. The entity provides services to citizens of Academic city (Russian Federation, Ural Region).

Previously the Group did not include the summary of financial information about the associate and associate's results into consolidated financial statements due to their immateriality.

*(in thousands of US dollars)***5. Investment in associates (continued)***CJSC UK Akademichesky (continued)*

Since 2013 the Group reflected its share in CJSC UK Akademichesky in the consolidated financial statements.

	CJSC UK Akademichesky	
	2013	2012
Opening balance as at 1 January	–	–
Additional investments	–	–
Share of loss for the year	508	–
Translation difference	(6)	–
Closing balance at 31 December	502	–

CJSC "Sverdlovskoe"

As at 31 December 2013 and 2012, the Group had a 9.96% interest in CJSC "Sverdlovskoe", an associate that is engaged in agricultural activities and is located in the Ural Region, the Russian Federation.

In 2012 CJSC "Sverdlovskoe" was reorganized through establishment of two legal entities CJSC "Natsionalnaya 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 "Sverdlovskoe" transferred its main assets (land plots) to new established legal entities and retain no significant assets after reorganization. CJSC "Natsionalnaya Developerskaya Gruppa-Kvartal 46" obtained two land plots with total area of 124 hectares and loan and interest payable to the Group in the amount of \$5,337.

The movement in investments in the associate was as follows:

	CJSC "Sverdlovskoe"	
	2013	2012
Opening balance as at 1 January	–	5,882
Share of loss for the year	–	(6,090)
Translation difference	–	208
Closing balance at 31 December	–	–

The table below sets forth income and expenses of CJSC "Sverdlovskoe" for 2013 and 2012:

	31 December 2013	31 December 2012
Change in FV of non-current assets	–	(61,145)
Net loss	–	(61,145)
Group's share of losses of the associate	–	(6,090)

6. Goodwill

As of 31 December 2013 carrying amount of goodwill amounted to \$10,505 (31 December 2012: \$11,553) of which \$10,505 relates to CJSC "Renova-StroyGroup-Krasnodar" (31 December 2012: \$11,320). In 2013 the goodwill recognized on acquisition of LLC "Tatlin" in prior periods was impaired in total amount of \$222. Other changes in balance are attributable to the effect of translation to presentation currency.

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 and 30 June 2012. As of 31 December 2013 and 31 December 2012 the Group did not identify any indicators that could lead to impairment of goodwill.

*(in thousands of US dollars)***6. Goodwill (continued)**

For the purpose of impairment testing as of 30 June 2013 and 30 June 2012 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. According to business plan approved by management and considering the average life of Group's construction projects in other locations, the cash generating units listed below are expected to operate more than five years, therefore, a longer than five-year period is justified for cash flow projections used in impairment test.

	<i>Period of expected use, years</i>	<i>Period of forecast, years</i>	<i>Pre-tax discount rate, %</i>	<i>Source of cash inflow</i>	<i>Average price per m² (thousands of rubles)</i>
LLC "Tatlin" as at 30 June 2012	16.5	5	21	Rental income	8.5
CJSC "Renova-StroyGroup-Krasnodar" as at 30 June 2013	4-6	4.5-6.5	20	Investment property	25-77.87
CJSC "Renova-StroyGroup-Krasnodar" as at 30 June 2012	1.5- 6.5	1.5-6.5	14-20	Investment property	51.9-101.4

The values assigned to key assumptions reflect past experience and are also consistent with external sources of information. No reasonably possible changes in key assumptions will result in impairment of goodwill.

7. Revenues

Revenues include the following:

	<i>For the years ended 31 December</i>	
	<i>2013</i>	<i>2012</i>
Sales of residential property	596,935	598,531
Rental income	2,433	3,309
Other revenue	24,701	22,635
Total	624,069	624,475

Other revenue is mainly represented by sales of heating energy in the amount of \$11,377 (2012: \$11,615) and revenue from management services provided by the Group in respect of construction of hotel complex in Sochi performed by entity under common control in the amount of \$6,188 (2012: \$6,397).

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 free of charge. Such exchange of assets represents barter transaction. Transfer of apartments to individuals constitutes sale, and deferred revenue is recognized at fair value of apartments as of the date of gaining of development rights. In 2013 the Group recognized such revenues in the amount of \$6,676 (2012: \$10,635).

8. Income and expenses

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

	<i>For the years ended 31 December</i>	
	<i>2013</i>	<i>2012</i>
Staff costs, including social security taxes	15,946	21,527
Depreciation and amortisation	3,660	2,433

Cost of sales

In the cost of sales of inventory property for the years ended 31 December 2013 and 2012 was included imputed interest on advances received from individuals in the amount of \$728 and \$3,099, respectively.

*(in thousands of US dollars)***8. Income and expenses (continued)***General and administrative expenses*

The structure of general and administrative expenses was the following:

	<i>For the years ended 31 December</i>	
	<i>2013</i>	<i>2012</i>
Staff costs, including social security taxes	9,166	15,067
Consulting	6,442	4,697
Security	1,859	1,474
Depreciation of property, plant and equipment	1,428	452
Audit fees – current year statutory audit	1,057	1,645
Taxes other than income tax	861	1,041
Representation expenses	848	1,607
Other professional services	742	2,492
Telecommunication	707	705
Rent	701	642
Materials	640	472
Repair and maintenance	454	687
Utilities services	199	102
Amortization of intangible assets	11	22
Other	1,201	1,979
Total	26,316	33,084

Finance income

The components of finance income were as follows:

	<i>For the years ended 31 December</i>	
	<i>2013</i>	<i>2012</i>
Interest on bank accounts and deposits	2,592	826
Interest on unwinding of discount on receivable	1,483	–
Interest on loans receivable	781	242
Other financial income	632	492
Total	5,488	1,560

Finance expenses

The components of finance expenses were as follows:

	<i>For the years ended 31 December</i>	
	<i>2013</i>	<i>2012</i>
Interest expense	25,921	7,479
Other financial expenses	368	1,372
Total	26,289	8,851

Other operating income

The components of other operating income were as follows:

	<i>For the years ended 31 December</i>	
	<i>2013</i>	<i>2012</i>
Reversal of unused provisions for social objects	2,852	–
Derecognition of accounts payable	415	546
Decrease in tax provisions	196	–
Gain on sale of property plant and equipment	21	3,840
Reversal of write-down of inventories to their net realizable value	–	317
Other income	606	1,449
Total	4,090	6,152

*(in thousands of US dollars)***8. Income and expenses (continued)***Other operating expenses*

The components of other operating expenses were as follows:

	<i>For the years ended 31 December</i>	
	2013	2012
Write-down of inventories to net realizable value	30,662	22,476
Commercial expenses	20,065	16,519
Other taxes (excluding income tax)	5,522	7,417
Rent and maintenance of completed real estate property	2,942	2,445
Legal provision	1,359	1,005
Loss on disposal of subsidiary	709	–
Bank services	890	1,143
Write-off of unrecoverable loans receivable	–	21
Penalty fees	383	1,663
Impairment of intangible assets	338	–
Change in allowance for irrecoverable trade and other receivables	206	586
Loss on sale of property plant and equipment	151	–
Other expenses	2,449	3,137
Total	65,675	56,412

9. Income tax*Corporate tax*

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

	2013	2012
The Russian Federation (ordinary rate)	20.00%	20.00%
The Russian Federation (special tax regime area – The Perm Territory)	15.50%	15.50%
The Republic of Cyprus	12.50%	10.00%
Belize, BVI	0%	0%

The corporate income tax rate in Cyprus increased from 10% to 12.5% as of 1 January 2013.

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (15% to 29 April 2013). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter.

Major components of income tax expense for the years ended 31 December 2013 and 2012 were as follows:

	<i>For the years ended 31 December</i>	
	2013	2012
Income tax expense – current	38,414	38,640
Deferred tax benefit – origination and reversal of temporary differences	(9,450)	(4,852)
Income tax expense reported in the consolidated statement of operations	28,964	33,788

The major part of income taxes is paid in the Russian Federation.

(in thousands of US dollars)

9. Income tax (continued)**Corporate tax (continued)**

A reconciliation of income tax expense applicable to profit before income tax using the Russian statutory tax rate to income tax expense as reported in the Group's consolidated financial statements for the years ended 31 December is as follows:

	<i>For the years ended 31 December</i>	
	2013	2012
Profit before income tax	71,167	114,540
The profit of subsidiaries taxable at income tax rate:		
20%	150,356	185,467
15.5%	5,910	973
12.5% after 1 January 2013	(64,790)	-
10% before 1 January 2013	-	(65,592)
0%	(20,309)	(6,308)
At the Russian statutory income tax rate of 20%	(14,233)	(22,908)
Effect of non-deductible expenses	(1,665)	(1,936)
Correction in deferred tax asset calculation for prior periods	(2,379)	-
Effect of the difference in tax rates in countries other than the Russian Federation	(8,662)	(7,778)
Change in unrecognized deferred tax asset	(1,869)	(1,166)
Dividend tax	(156)	-
Income tax expense reported in the consolidated income statement of operations	(28,964)	(33,788)

Deferred income tax assets and liabilities and their movements during the year ended 31 December 2013 were as follows:

	31 December 2013	Change recognised in income statement	Disposal of companies	Translation difference	31 December 2012
Deferred income tax assets					
Property, plant and equipment, Intangible assets	4,460	545	-	(320)	4,235
Investment property	996	202	-	(67)	861
Inventory	12,010	(12,953)	-	(1,561)	26,524
Accounts receivable and loans receivable	2,277	918	(36)	(134)	1,529
Accounts payable and accruals	9,241	5,021	-	(473)	4,693
Investment in associates	82	(118)	-	(12)	212
Tax losses available for offset	9,799	2,336	(2,150)	(751)	10,364
Other	102	(513)	(31)	(35)	681
Total deferred tax assets	38,967	(4,562)	(2,217)	(3,353)	49,099
Deferred income tax liabilities					
Property, plant and equipment, Intangible assets	(732)	3,864	-	245	(4,841)
Investment property	(113,647)	(2,101)	3,083	8,830	(123,459)
Inventory	(3,573)	(340)	-	285	(3,518)
Accounts receivable and loans receivable	(1,014)	(837)	-	38	(215)
Accounts payable and accruals	(5,319)	13,143	-	1,050	(19,512)
Investment in associates	(767)	101	-	64	(932)
Other	(410)	182	-	41	(633)
Total deferred tax liabilities	(125,462)	14,012	3,083	10,553	(153,110)
Total deferred tax assets/ (liability)	(86,495)	9,450	866	7,200	(104,011)
Represented by the following					
Net deferred income tax asset	18,997	5,683	-	(951)	14,265
Net deferred income tax liability	(105,492)	3,767	866	8,151	(118,276)

(in thousands of US dollars)

9. Income tax (continued)**Corporate tax (continued)**

Deferred income tax assets and liabilities and their movements during the year ended 31 December 2012 were as follows:

	31 December 2012	Change recognised in income statement	Acquisition of companies	Translation difference	31 December 2011
Deferred income tax assets					
Property, plant and equipment	4,235	880	–	210	3,145
Investment property	861	726	10	23	102
Inventory	26,524	5,180	–	1,325	20,019
Accounts receivable and loans receivable	1,529	(1,545)	5	139	2,930
Accounts payable and accruals	4,693	1,749	999	172	1,773
Tax losses available for offset	10,364	(826)	644	593	9,953
Other	893	299	149	35	410
Total deferred tax assets	49,099	6,463	1,807	2,497	38,332
Deferred income tax liabilities					
Property, plant and equipment	(4,841)	(3,689)	(97)	(144)	(911)
Investment property	(123,459)	(10,278)	–	(6,640)	(106,541)
Inventory	(3,518)	17,285	–	(791)	(20,012)
Accounts receivable and loans receivable	(215)	(133)	–	(8)	(74)
Accounts payable and accruals	(19,512)	(10,203)	(2,026)	(686)	(6,597)
Investment in associates	(932)	1,383	–	(100)	(2,215)
Other	(633)	4,024	–	(174)	(4,483)
Total deferred tax liabilities	(153,110)	(1,611)	(2,123)	(8,543)	(140,833)
Total deferred tax assets/ (liability)	(104,011)	4,852	(316)	(6,046)	(102,501)
Represented by the following					
Net deferred income tax asset	14,265	4,123	427	967	8,748
Net deferred income tax liability	(118,276)	729	(743)	(7,013)	(111,249)

As at 31 December 2013, the balance of tax losses which is available for offset against future taxable profits amounts to \$49,266 (2012: \$51,820) for which no deferred asset is recognised in the statement of financial position.

Deferred tax assets in the amount of \$551 (31 December 2012: \$4,691) have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Losses, which are available for offset against future taxable profits of the companies in which the losses arose, will expire during 2016-2020. For assessment of deferred tax assets realizability where the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences management of the Group used business plans prepared by the management of specific projects.

Net temporary differences of \$419,053 and \$476,483 as of 31 December 2013 and 31 December 2012, respectively, were associated with investments in subsidiaries. At 31 December 2013 and 31 December 2012 the Group did not recognise 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.

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 20% Special Contribution for the Defence Fund of the Republic, i.e. "Defence Tax" (generally on a withholding basis).

Deemed dividends distribution

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. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends distribution. Profits and to the extent that 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 special contribution for defence is payable by the Company for the account of the shareholders.

(in thousands of US dollars)

10. Property, plant and equipment

Property, plant and equipment consisted of the following:

	<i>Land</i>	<i>Buildings</i>	<i>Fittings and fixtures</i>	<i>Leasehold improvements and other equipment</i>	<i>Assets under construction</i>	<i>Total</i>
Cost						
Balance as at 31 December 2011	4,606	2,523	48,872	3,379	13,109	72,489
Acquisition of CJSC "Garant"	-	859	-	531	-	1,390
Additions	-	-	-	47	14,778	14,825
Disposals	(1,187)	(203)	-	(233)	(2,677)	(4,300)
Transfers	-	670	10,083	1,187	(11,940)	-
Transfer to investment property	-	-	(3,776)	-	18	(3,758)
Transfer from inventory	-	-	832	102	-	934
Translation difference	248	226	3,130	231	824	4,659
Balance as at 31 December 2012	3,667	4,075	59,141	5,244	14,112	86,239
Additions	-	-	-	31	10,694	10,725
Disposals	-	-	-	(305)	-	(305)
Transfers	-	-	7,644	645	(8,289)	-
Transfer from inventory	-	3,214	-	-	-	3,214
Translation difference	(264)	(378)	(4,463)	(387)	(1,076)	(6,568)
Balance as at 31 December 2013	3,403	6,911	62,322	5,228	15,441	93,305
Accumulated depreciation						
Balance as at 31 December 2011	-	(217)	(2,865)	(1,786)	-	(4,868)
Depreciation charge	-	(240)	(1,697)	(474)	-	(2,411)
Disposals	-	12	-	167	-	179
Transfer from investment property	-	-	117	-	-	117
Translation difference	-	(21)	(210)	(113)	-	(344)
Balance as at 31 December 2012	-	(466)	(4,655)	(2,206)	-	(7,327)
Depreciation charge	-	(861)	(2,131)	(647)	-	(3,639)
Disposals	-	-	-	231	-	231
Translation difference	-	46	393	175	-	614
Balance as at 31 December 2013	-	(1,281)	(6,393)	(2,447)	-	(10,121)
Net book value						
At 31 December 2013	3,403	5,630	55,929	2,781	15,441	83,184
At 31 December 2012	3,667	3,609	54,486	3,038	14,112	78,912

Fittings and fixtures represent networks (heating, water, electricity supply networks), transforming stations used by the Group for providing public facility services.

Interest net of the interest reimbursed by the governmental bodies capitalized as part of additions to property, plant and equipment during 2013 amounted to \$2,989 (2012: \$3,377). Interest expense reimbursed by the governmental bodies and credited to interest capitalized during 2013 amounted to \$737 (2012: \$865). The weighted average rate for the borrowings which were obtained for construction (either in part, or in full) for the year ended 31 December 2013 equals to 10.27% (2012: 12.05%).

*(in thousands of US dollars)***11. Intangible assets other than goodwill**

Intangible assets other than goodwill consisted of the following:

	<i>Leasehold rights (Buildings)</i>	<i>Leasehold rights (Land)</i>	<i>Develop- ment rights</i>	<i>Other</i>	<i>Total</i>
Cost					
Balance as at 31 December 2011	431	–	–	272	703
Additions	–	1,789	18,050	80	19,919
Transfer from inventory	–	3,610	4,786	–	8,396
Translation difference	26	128	542	19	715
Balance as at 31 December 2012	457	5,527	23,378	371	29,733
Additions	–	–	7,827	–	7,827
Disposals	(436)	(131)	(1,470)	–	(2,037)
Translation difference	(21)	(394)	(1,855)	(27)	(2,297)
Balance as at 31 December 2013	–	5,002	27,880	344	33,226
Accumulated amortization and impairment					
Balance as at 31 December 2011	(65)	–	–	(6)	(71)
Amortization charge	(22)	(1,018)	(6,647)	(4)	(7,691)
Transfer from inventory	–	(1,771)	–	–	(1,771)
Translation difference	(5)	(66)	(158)	0	(229)
Balance as at 31 December 2012	(92)	(2,855)	(6,805)	(10)	(9,762)
Amortization charge	(11)	(1,059)	(9,385)	(11)	(10,466)
Disposals	436	131	1,470	–	2,037
Impairment	(338)	–	–	–	(338)
Translation difference	5	230	704	1	940
Balance as at 31 December 2013	–	(3,553)	(14,016)	(20)	(17,589)
Net book value as at 31 December 2012	365	2,672	16,573	361	19,971
Net book value as at 31 December 2013	–	1,449	13,864	324	15,637

Leasehold right (building) with net book value of \$365 as at 31 December 2012 represented a contractual right for rent of business complex in Yekaterinburg. These rights were disposed as a result of sale of LLC "Tatlin" on 31 July 2013 (Note 4).

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

The Group concluded investment contracts with local authorities for construction of residential districts. As a result the Group obtained development rights of \$7,827 (2012: \$18,050) recognized as intangible assets in exchange of residential premises to be transferred to individuals free of charge. Carrying value of recognized development rights was determined as market value of residential premises that will be transferred to individuals free of charge.

Amortization of development and leasehold rights in amount of \$10,444 was included in the carrying amount of constructed property as at 31 December 2013 (2012: \$7,665).

(in thousands of US dollars)

12. Investment properties

Investment property consisted of the following:

	2013	2012
Opening Balance as at 1 January	658,465	561,377
Additions (acquisitions)	9,854	5,217
Additions (acquisitions through business combinations)	-	21,766
Additions (subsequent expenditure)	16,260	5,754
Transfer from PPE	-	3,640
Transfer from/(to) inventory	(12,059)	23,685
Disposals	(26,635)	-
Translation difference	(46,212)	35,095
(Decrease)/Increase in fair value of investment property	(6,759)	1,931
Closing balance at 31 December	592,914	658,465

On September 25, 2013 the Group acquired the leasehold right for the land plot located in Moscow. The purchase of leasehold right was accounted for as an investment property acquisition. The fair value of the investment property as at 31 December 2013 was assessed by independent appraiser and amounted to \$13,860.

Interest capitalized as part of subsequent expenditure to investment properties amounted to \$3,634 and \$2,657 for the years ended 31 December 2013 and 2012, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization in 2013 year was 12.28%. (2012: 11.34%)

In 2013, the Group had income from rent of investment property of \$515 (2012: \$1,508) and direct operating expenses arising from investment property that generated rental income of \$275 (2012: \$830).

During the years ended 31 December 2013 and 2012, the fair value of investment property was determined based on valuation performed by an accredited independent appraiser, who holds recognised 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.

Investment property relates to the Level 3 of fair value hierarchy.

Fair value hierarchy disclosures for investment properties have been provided in Note 28.

Description of valuation techniques used and key inputs to valuation on investment properties

The Group used discounted cash flow method for valuation of investment property.

Below are the major projects of the Group and description of valuation techniques for each as at 31 December 2013 and 31 December 2012. The investment properties are represented by the land plots for RSG-Akademicheskoe and Ural'skaya Kompaniya Razvitia projects and lease hold rights for Aristovo projects.

RSG-Akademicheskoe project had the fair value of investment property of \$489,522 and 83% share in total consolidated value of investment property as of December 2013 respectively (2012: \$521,320 and 79%).

Unobservable inputs for project RSG-Akademicheskoe were as follows:

Description	Measurements	Range
Sales price growth	percent per year	3%
Sales volume on one lot per year	Sq. m.	18,968-60,139
Discount rate	percent per year	16.5%-10.3%
Numbers of lots	lots	18
Land plots lots sales schedule	lots per year	2
Each lot project life	year	8

Ural'skaya Kompaniya Razvitia project had the fair value of investment property of \$39,329 and 7% share in total consolidated value of investment property as of December 2013 respectively (2012: \$38,380 and 6%).

*(in thousands of US dollars)***12. Investment properties (continued)****Description of valuation techniques used and key inputs to valuation on investment properties (continued)**

Unobservable inputs for project Ural'skaya Kompaniya Razvitiya were as follows:

Description	Measurements	Range
Sales price growth	percent per year	3%
Allowance of the land for the development of the roads and infrastructure	% of total land plot	25%
Discount rate	percent per year	12.9%-15.2%
Capital costs connected with community organization	kUSD	2,000
Sales volume per year	Are	6,179-16,879
Price adjustments to the comparable plots	percent	0.05

Aristovo project had the fair value of investment property of \$15,280 and 3% share in total consolidated value of investment property as of December 2013 respectively (2012: \$15,300 and 2%).

Unobservable inputs for Aristovo project were as follows:

Description	Measurements	Range
Price adjustments to the comparable plots	percent	10%

Significant increases (decreases) in sales volume on one lot per year and sales prices in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in allowance of the land for the development of the roads and infrastructure, price adjustments to the comparable plots, capital costs connected with community organization and discount rate in isolation would result in a significantly lower (higher) fair value.

13. Other taxes recoverable

Other taxes recoverable are mainly represented by value added tax balances. Value added tax ("VAT") represents 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 \$19,996 as at 31 December 2013 (2012: \$25,550) is fully recoverable during 12 months following the respective reporting date.

At 31 December 2013 and 2012, VAT recoverable balance was denominated in rubles.

14. Interest-bearing loans receivable

Current and non-current interest-bearing loans receivable were as follows as of:

	31 December 2013	31 December 2012
Non-current loans receivable		
Loans receivable from third parties	85	-
Loans receivable from related parties (Note 26)	2,924	6,843
Total non-current loans receivable	3,009	6,843
Current loans receivable		
Loans receivable from third parties	345	176
Loans receivable from related parties (Note 26)	-	2,965
Total current loans receivable	345	3,141

*(in thousands of US dollars)***14. Interest-bearing loans receivable (continued)**

The annual interest rates for the loans receivable were as follows as at 31 December:

	<i>Current loans receivable</i>		<i>Non-current loans receivable</i>	
	2013	2012	2013	2012
Third parties	3.35-8%	3-12%	9%	n/a
Related parties	3.35%	3.35-12.35%	12%	3.35-12.35%

Loans receivable were denominated in currencies as presented below:

	31 December 2013	31 December 2012
RUR	276	6,914
USD	3,078	3,070

Loans receivable from company under common control in the total amount of \$6,926 were transferred to the other receivables due from related party under assignment claim agreement.

15. Inventories

Inventories consisted of the following as of:

	31 December 2013	31 December 2012
Inventory properties under construction:		
- at cost	288,579	408,075
- at net realizable value, net of allowance	16,884	24,970
Constructed inventory properties:		
- at cost	211,182	101,646
- at net realizable value, net of allowance	39,675	25,225
Other inventory, at cost	530	615
Total	556,850	560,531
Including		
- current	543,119	559,234
- non-current	13,731	1,297
Cumulative write-down of inventory held as at 31 December to NRV	67,847	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 31 December 2013 and 31 December 2012 was null and \$690 respectively.

Write-down of inventory to NRV is recognized in other expenses in the amount of \$ 30,662 and \$ 22,476 for the year ended as at 31 December 2013 and 31 December 2012 accordingly, reversal of write-down of inventory to NRV is recognized in the cost of sales in the amount of \$10,155 and \$9,791 accordingly.

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

	2013	2012
Opening balance at 1 January	560,531	492,238
Construction costs incurred	433,106	454,304
Interest capitalized	28,820	31,184
Transfer to Intangible assets	-	(6,624)
Transfer to property, plant and equipment	(3,214)	(934)
Transfer from/(to) investment property	12,059	(23,685)
Write-down to net realizable value	(20,507)	(12,685)
Disposals (recognized in cost of sales)	(412,550)	(403,746)
Acquisition of CJSC "Garant"	-	31
Disposal of subsidiaries	(22)	-
Translation difference	(41,373)	30,448
Closing balance at 31 December	556,850	560,531

In 2013 the Group acquired leasehold rights which were recognized in inventory balance as at 31 December 2013 in the amount of \$43,900 (2012: 0).

*(in thousands of US dollars)***16. Trade and other receivables**

Trade and other receivables consisted of the following as at:

	31 December 2013	31 December 2012
Trade accounts receivable due from third parties	16,347	5,332
Trade accounts receivable due from related parties (Note 26, Note 19)	71,706	7,615
Other accounts receivable due from third parties	7,682	2,390
Other accounts receivable due from related parties (Note 26)	55,127	274
Allowance for irrecoverable amounts	(1,151)	(1,483)
	149,711	14,128

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

	31 December 2013	31 December 2012
RUR	148,373	13,448
USD	1,300	645
EUR	38	35
	149,711	14,128

Movement of irrecoverable amounts were presented below:

	2013	2012
At January	1,483	1,341
Charge for the year	206	586
Amounts written off	(538)	(444)
At December	1,151	1,483

17. Prepayments

Prepayments are mainly represented by the 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 \$19,892 and \$21,405 as at 31 December 2013 and 31 December 2012, respectively.

The Group actively develops new projects in various regions of Russia, and thus participates in tenders for obtaining lease rights for land plots and construction permissions. Prepayments under such tenders which were not finalized as at 31 December 2013, are accounted for as other non-current assets until the tender is finalized.

In 2012 the Group made prepayment for acquisition of non-current assets in the amount of \$12,885 disclosed within other long-term assets (land lease right and investment property).

As of 31 December 2013 the Group recognized \$8,000 (2012: \$1,500) of prepayments made to third party for investment project, which Group is planning to undertake in the future.

18. Cash and cash equivalents

Cash and cash equivalents consisted of the following as of:

	31 December 2013	31 December 2012
Cash	19,612	46,745
Cash in OJSC "Metcombank" (Note 26)	55,813	7,808
Short term deposits in OJSC "Metcombank" (Note 26)	19,402	–
Short term deposits	–	2,106
	94,827	56,659

(in thousands of US dollars)

18. Cash and cash equivalents (continued)

Cash and cash equivalents were denominated in the following currencies:

	31 December 2013	31 December 2012
Rubles	91,601	56,468
US dollars	2,980	189
Euro	155	2
Other	91	–
	94,827	56,659

19. Equity

Total number of outstanding shares comprised:

Autorised, issued and fully paid	Number of shares	Share capital
At 31 December 2012	6,786,205	6,787
At 31 December 2013	6,786,205	6,787

In December 2012 the Group declared and paid interim dividends to shareholders for 2012 in the amount of 39,336 (\$5.8 (not in thousand) per share). No other dividends were declared or proposed during the years ended 31 December 2013 and 2012. The amount of share premium is not available for distribution by way of dividends.

The Group performs management services to an entity under common control (the "Entity") in respect to the construction of the hotel complex in Sochi (Note 7). In 2013, Company's subsidiaries settled liabilities of the Entity in the total amount of \$4,670 (nil for 2012), which was recognized as distribution to the parent in the consolidated statement of changes in equity of the Group as the costs of the settlement are not reimbursable by the parent. Additionally, in 2013 Company's subsidiary provided interest free financing to the Entity presented in Trade and other receivables (Note 16 and Note 26) in the consolidated balance sheet of the Group. The financing receivable was provided in form of payment due date deferral and recognized at fair value on initial recognition based on the market rate of interest for similar loans at the date of issue. The difference between the fair value and the nominal value of the receivable on initial recognition is recorded as distribution to parent in the consolidated statement of changes in equity of the Group and amounted to \$4,355 for 2013 (nil for 2012). After the initial recognition of the receivable, the Group recognizes interest income using the effective interest method resulting in the receivable balance stated at full amount of cash receivable at the expected redemption date. The financing was provided in tranches for the period of 3 to 18 months with full final balance settlement expected by 31 December 2014. The receivable outstanding amounted to \$68,512 and advances received \$19,453 at 31 December 2013 and 2012, respectively. Interest income totals \$1,483 and \$nil for 2013 and 2012, respectively.

20. Interest-bearing loans and borrowings

The Group had the following interest-bearing loans and borrowings as at 31 December 2013 and 31 December 2012:

Non-current interest-bearing loans and borrowings	Interest rate 2013	31 December 2013	Unused borrowing facilities	Interest rate 2012	31 December 2012	Unused borrowing facilities
Loans and borrowings from third parties	8.3-13.5%	153,608	210,169	0-13%	214,428	268,947
Loans and borrowings from related parties	3-11%	46,005	17,668	3-11%	19,885	18,108
Total non-current interest-bearing loans and borrowings		199,613	227,837		234,313	287,055
Current portion of non-current interest-bearing loans and borrowings	Interest rate 2013	31 December 2013	Unused borrowing facilities	Interest rate 2012	31 December 2012	Unused borrowing facilities
Loans and borrowings from third parties	10.8%	3,597	–	10.8-13%	11,051	–
Loans and borrowings from related parties	10.5%	20,525	–	9.5-11%	636	–
Total current portion of non-current interest-bearing loans and borrowings		24,122	–		11,687	–

(in thousands of US dollars)

20. Interest-bearing loans and borrowings (continued)

<i>Current interest-bearing loans and borrowings</i>	<i>Interest rate 2013</i>	<i>31 December 2013</i>	<i>Unused borrowing facilities</i>	<i>Interest rate 2012</i>	<i>31 December 2012</i>	<i>Unused borrowing facilities</i>
Loans and borrowings from third parties	8.3-17%	1,319	–	11-14%	43,563	1
Loans and borrowings from related parties	9.3-11.5%	4,313	16,171	–	1,727	18,043
Promissory notes		–	–	10%	3,429	–
Total current interest-bearing loans and borrowings		5,632	16,171		48,719	18,044
Total interest-bearing loans and borrowings		229,367	244,008		294,719	305,099

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

Interest-bearing loans and borrowings were denominated in currencies as presented below:

	<i>31 December 2013</i>	<i>31 December 2012</i>
RUR	228,250	294,204
USD	969	515
EUR	148	–
	229,367	294,719

Compliance with covenants

Some of the loan agreements with OJSC "Sberbank of Russia", OJSC "Bank Otkritie", OJSC Moscow Credit Bank 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 31 December 2013.

Pledged assets

At 31 December 2013 the Group had inventory with a carrying amount of \$337,500 (2012: \$424,050) and investment property with a carrying amount of \$176,391 (2012: \$203,112) pledged as collateral under the loan agreements.

The Group had intangible assets with a carrying value of \$748 and property plant and equipment with a carrying value of \$2,023 at 31 December 2013 (2012: null) pledged as collateral under the loan agreements.

As at 31 December 2013, 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 of the Group</i>	<i>Share of pledged subsidiary in the total consolidated revenue of the Group</i>	<i>Net assets of pledged subsidiary (including intra-group balances)</i>
OJSC "Sberbank of Russia"	CJSC Renova-StroyGroup-Academicheskoe	100%	51.2%	49.4%	511,937
OJSC "Moscow Credit Bank"	OJSC EnergoGeneriruyuschaya Company	100%	0.3%	1.6%	103,258
OJSC "NOMOS-BANK"	LLC EliiComplex	100%	4.0%	12.0%	52,860
OJSC "Sberbank of Russia"	CJSC TeploSetevaya Company	100%	2.6%	3.1%	28,954
OJSC "Sberbank of Russia"	CJSC ElectroSetevaya Company	100%	1.0%	1.3%	21,706
OJSC "Sberbank of Russia"	CJSC Vodosnabzhauschaya Company	100%	1.8%	1.3%	16,509
OJSC "Sberbank of Russia"	LLC PSP Express	100%	2.5%	4.4%	3,955
					739,179

(in thousands of US dollars)

20. Interest-bearing loans and borrowings (continued)

As at 31 December 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 of the Group</i>	<i>Share of pledged subsidiary in the total consolidated revenue of the Group</i>	<i>Net assets of pledged subsidiary (including intra-group balances)</i>
OJSC "Sberbank of Russia"	CJSC Renova-StroyGroup-Academicheskoe	100%	57.6%	50.3%	508,112
OJSC "Moscow Credit Bank"	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 "CB Otkritie"	LLC MegaStroyInvest	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 Vodosnabzhushchaya Company	100%	1.6%	1.1%	18,785
OJSC "CB Otkritie"	LLC ElitComplex	100%	4.2%	16.0%	17,403
OJSC "CB Otkritie"	LLC EnKo Invest	100%	5.4%	0.0%	14,643
OJSC "Sberbank of Russia"	CJSC Stroitelnyi alians	100%	1.9%	0.7%	6,230
OJSC "Sberbank of Russia"	LLC Largo	100%	1.1%	1.0%	475
					740,661

Interest-bearing loans in amount of \$2,272 were accrued as a result of acquisition of a new project during the reporting period. These loans were repaid by cash during the year ended 31 December 2013.

In 2013 the Group concluded assignment claim agreement with related party under which recognized interest-bearing borrowing. As of 31 December 2013, carrying value of this borrowing was \$45,874 (Note 23).

21. Debt securities issued

In June 2011 LLC "RSG-Finance", the 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 an interest at a rate of 10.75% and were guaranteed by the Company. The liabilities under the bonds were accounted for at amortised 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 at their par value of 1,000 ruble each for \$25,018. The interest rate after repurchase increased up to 13.25% per annum.

On 17 October 2012 LLC "RSG-Finance" issued the 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. Despite the fact that the maturity is in 2015, the Group plans to repurchase the bonds in 2014. The liabilities under the bonds were accounted for at amortised 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.

On 27 December 2013 LLC "RSG-Finance", announced for a repurchase of the second bonds issued. The debt securities for the total number of 245,723 were repurchased on the market at their par value of 1,000 ruble each for \$7,737. The interest rate after repurchase was not changed.

On 22 November 2013 LLC "RSG-Finance" issued the third tranche of 3 billion ruble denominated bonds with a par value of 1,000 ruble each. These securities were issued at par value, mature on 18 November 2016, bear interest rate of 12.75% per annum and were guaranteed by the Company. The liabilities under the bonds were accounted for at amortised cost. Debt issuance costs paid by the Group in relation to the arrangement of second issue of bonds in the amount of \$439 represented agent commission and arrangement costs.

During the year ended 31 December 2013, first issued debt securities in the total number of 659,855 were reissued for \$20,778. Securities for the total number of 345,723 were acquired by OJSC "Metkombank" and OJSC "Bank Otkrytie".

*(in thousands of US dollars)***22. Trade and other payables**

Trade and other payables consisted of the following as of:

	31 December 2013	31 December 2012
Trade accounts payable due to third parties	68,359	51,768
Trade accounts payable due to related parties (Note 26)	230	2,305
Other accounts payable due to third parties	7,372	4,498
Other accounts payable due to related parties (Note 26)	162	145
Bonus accrual	8,317	14,606
Unused vacation accrual	1,463	1,627
Total	85,903	74,949

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

	31 December 2013	31 December 2012
RUR	81,551	72,248
USD	1,206	2,489
EUR	3,146	212
Total	85,903	74,949

During the year ended 31 December 2013 vacation provision in the amount of \$626 were capitalized to inventory (2012: \$812).

23. Other liabilities

As of December 2013 the Group recognised guarantee issued for the loan provided to its related party by Bank for Development and Foreign Economic Affairs (Vnesheconombank) in the amount of \$733 (Note 27).

In 2012, the Group concluded agreement for acquisition of Petrovskiy Alliance LLC, by substance representing purchase of land lease right. The asset was actually received in 2013. The Group recognised non-current non-financial liability in the amount of \$18,700 as of 31 December 2013, which represents the obligation to transfer 20% of apartments after completion the construction. As of 31 December 2013, the Group had outstanding non-current and current liabilities in respect of this purchase in the amount of \$19,688 and \$10,477 respectively.

In July 2012 the Group concluded agreement for acquisition of Zoloty Vozrast LLC, by substance representing purchase of land lease right. As of 31 December 2013 and 31 December 2012 the Group had outstanding non-current accounts payable in respect of this purchase in the amount of \$10,115 and \$9,350 respectively.

The Group concluded a number of investment contracts with local authorities for development and constructions of residential districts. According to these investment contracts, the Group is required to provide apartments to a number of individuals. Other current liabilities represented liabilities of the Group for provision of apartments to individuals under these investment contracts in amount of \$8,325 and \$7,592 as at 31 December 2013 and 31 December 2012, respectively.

As of 31 December 2013 other current liabilities included current liabilities due to related parties in the total amount of \$45,874 (31 December 2012: null).

24. Advances from customers

At 31 December 2013 and at 31 December 2012, advances received in the amount of \$123,555 and \$117,659 respectively, were mainly represented by advance payments received from individuals and legal entities for construction of residential property. The amount of advances received from related parties as at 31 December 2013 was \$138 (mainly consisted of advances received by the Group for management services) (31 December 2012: \$18,842). Advances received at 31 December 2013 are expected to be settled in 2014.

The Group recognized imputed interest at the market rate of 10.8-20% in 2012 and 15-18% in 2013 of advances received. The related interest was capitalized in inventory (Note 15).

(in thousands of US dollars)

25. Provisions

Provisions consisted of the following:

	<i>Provisions for tax liability</i>	<i>Legal claims</i>	<i>Construction of social objects</i>	<i>Provision for recons- truction</i>	<i>Total</i>
At 31 December 2011	2,792	-	-	-	2,792
Accrued	-	1,005	18,962	5,102	25,069
Used amounts	-	-	-	-	-
Unused amounts reversed	-	-	-	-	-
Translation differences	165	24	734	198	1,121
At 31 December 2012	2,957	1,029	19,696	5,300	28,982
Accrued	-	1,638	14,224	-	15,862
Used amounts	-	(127)	(4,728)	-	(4,855)
Unused amounts reversed	(195)	-	(3,721)	-	(3,916)
Disposal of subsidiary	-	(282)	-	-	(282)
Unwinding of discounting	-	-	-	359	359
Translation differences	(208)	(103)	(1,573)	(391)	(2,275)
At 31 December 2013	2,554	2,155	23,898	5,268	33,875

Provision for tax liability includes estimation of probable tax risks as at the reporting date.

On 29 June 2012, the Group acquired 100% of ordinary shares of LLC "Stroy Region Holding" (the Russian Federation) from third party. The Group is required to perform reconstruction works for the acquired assets. As of 31 December 2013 the Group recognized current and non-current provision in respect of reconstruction works in the amount of \$2,989 and \$2,279 respectively (2012: 1,066 and 4,234).

The Group concluded a number of investment contracts with local authorities for development and constructions of residential districts. According to these investment contracts the Group is required to construct social objects, such as kindergartens and schools, related to and constructed in these residential districts. As of 31 December 2013 the Group recognized current and non-current provision in respect of these obligations in the amount of \$12,711 and \$11,187 respectively (2012: 1,049 and 18,647).

26. Balances and transactions with related parties

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. The management considers that the Group has appropriate procedures in place to identify and properly disclose transactions with the 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 on 31 December 2013 and 31 December 2012 are detailed below:

	<i>Loans receivable</i>	<i>Trade and other receivables</i>	<i>Advances issued</i>	<i>Cash and cash equiva- lents</i>	<i>Interest- bearing loans and borrowings</i>	<i>Trade and other payables, other liabilities</i>	<i>Advances received</i>
31 December 2013							
Controlling Shareholder of the parent company	2,924	6,220	-	-	547	210	55
Associates	-	937	473	-	-	182	4
Entities under common control	-	119,676	143	75 215	70,296	45,874	79
Total	2 924	126,833	616	75 215	70,843	46,266	138

(in thousands of US dollars)

26. Balances and transactions with related parties (continued)

31 December 2012	Loans receivable	Trade and other receivables	Advances issued	Cash and cash equiva- lents	Interest- bearing loans and borrowings	Trade and other payables, other liabilities	Advances received
Controlling Shareholder of the parent company	2,920	5	-	-	523	210	-
Associates	37	789	869	-	2	111	1
Entities under common control	6,851	7,095	-	7,808	21,723	2,129	18,841
Total	9,808	7,889	869	7,808	22,248	2,450	18,842

For the years ended 31 December 2013	Revenue	Finance income	Purchases	Finance costs	Other income/ (expenses)	Finance cost capitalized
Controlling Shareholder of the parent company	-	1,542	-	24	-	-
Associates	6,509	-	311	-	(1,370)	-
Entities under common control	13,715	2,222	802	6,484	(12)	2,906
Total	20,224	3,764	1,113	6,508	(1,382)	2,906

For the years ended 31 December 2012	Revenue	Finance income	Purchases	Finance costs	Other income/ (expenses)	Finance cost capitalized
Controlling Shareholder of the parent company	-	-	-	22	(21)	-
Associates	4,739	90	306	-	(561)	-
Entities under common control	16,075	1,121	929	2,075	5,895	1,944
Total	20,814	1,211	1,235	2,097	5,313	1,944

The balances with related parties as at 31 December 2013 and 31 December 2012 are unsecured and settlement occurs in cash. Loans and borrowings are interest bearing, while trade receivables, cash and advances granted are not interest bearing. There have been no guarantees provided or received for any related party receivables or payables.

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:

	31 December 2013	31 December 2012
Salary	7,091	5,175
Performance bonuses	3,522	7,430
Other compensations	347	173
Social security taxes	220	256
Total	11,180	13,034

(in thousands of US dollars)

27. Contingencies, commitments and operating risks

Operating environment of the Group

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

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 31 December 2013 it had possible obligations from exposures to various tax risks primarily related to financing and investment 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 2 years there was increased scrutiny from Russian tax authorities regarding to tax treatment of such transactions, as well as changes in tax legislation. 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.

There is a recent trend of "de-offshorization" announced by the Russian President. Among the announced initiatives there are the following: determination of the terms "offshore zone", implementation of "beneficial ownership concept", introduction taxation of controlled foreign companies and concept of tax residency based on place of effective management and other.

Should the proposed initiatives mentioned before be legally implemented it could have significant impact on running business in Russia and in the future may result in additional tax liabilities for existing structures.

Insurance policies

The Group holds insurance policies in relation to its assets, covering a number of cases such as accidents, fire, wrongful actions, force majeure, etc., as well as insurance policies covering vehicles and voluntary medical insurance of employees of the Group's entities.

Contractual commitments

The Group has signed a number of contracts for the construction works as of 31 December 2013. The Group had firm contractual commitments for the construction works for an approximate amount of \$158,564 as at 31 December 2013 (31 December 2012: \$191,612).

However, many of the contracts provide for payments stage wise basing 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.

*(in thousands of US dollars)***27. Contingencies, commitments and operating risks (continued)****Commitments to construct social objects**

The Group has concluded a number of investments contracts. According to these investment contracts the Group is obliged to construct social objects, such as kindergartens and schools. The Group estimated cost of such commitments, which are not accrued on the Group's statement of financial position, in the amount of \$30,880 and \$41,961 as at 31 December 2013 and 2012 respectively.

Legal proceedings

The Group is involved in a number of legal proceedings. All legal proceedings which individually or in aggregate, may have a significant effect on the Group's financial operations or financial position have been accrued in these consolidated financial statements (Note 25).

Besides the mentioned above the Group is involved in a legal proceeding the possible risk of which is amounted to \$1,213 as at 31 December 2013.

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 with maximum amount of up to 2.4 billion rubles 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 December 2013, carrying value of the guarantee issued recognised as a part of other liabilities in amount of \$733 (Note 23).

28. Financial risk management objectives and policies**Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and loans receivable.

To manage credit risk related to cash, the Group maintains its available cash, mainly in rubles, in reputable Russian banks – OJSC "Sberbank of Russia" and OJSC "Metcombank" (related party). Management periodically reviews the creditworthiness of the banks in which it deposits cash.

There are no significant concentrations of credit risk within accounts receivable balances of the Group, as the Group requires prepayments from the major part of its customers.

The maximum exposure to credit risk is equal to the carrying amount of financial assets, without taking into account of any collateral held or other credit enhancements, which is disclosed below.

	31 December 2013	31 December 2012
Non-current assets		
Interest-bearing loans receivable	3,009	6,843
Total non-current assets	3,009	6,843
Current assets		
Cash and cash equivalents	94,827	56,659
Interest-bearing loans receivable	345	3,141
Trade and other receivables	149,711	14,128
Total current assets	244,883	73,928

(in thousands of US dollars)

28. Financial risk management objectives and policies (continued)**Credit risk (continued)**

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

	Total	Neither past due nor impaired	Past due but not impaired:			Past due and impaired
			Less than 6 months	6 months - 1 year	Over 1 year	
2013	153,065	151,914	–	–	–	1,151
2012	24,112	22,481	–	–	149	1,482

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group prepares monthly budgets which ensure that the Group has sufficient cash to meet expected operational expenses, financial obligations and investing activities for a period of 30 days. In addition, the Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs.

The Group developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

All of the Group's financial liabilities represent non-derivative financial instruments. The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

31 December 2013

	Less than 12 months	1-2 years	2-5 years	More than 5 years	Total
Non-interest bearing debt					
Trade and other payables	75,852	–	–	–	75,852
Fixed-rate debt					
Other liabilities	62,111	13,551	2	–	75,664
Interest-bearing loans and borrowings	54,240	82,579	134,937	20,045	291,801
Debts securities issued	180,957	9,739	84,389	–	275,085
Total	373,160	105,869	219,328	20,045	718,402

31 December 2012

	Less than 12 months	1-2 years	2-5 years	More than 5 years	Total
Non-interest bearing debt					
Trade and other payables	58,312	–	–	–	58,312
Fixed-rate debt					
Other long-term liabilities	–	9,953	42	–	9,995
Loans and borrowings	89,117	67,798	217,297	23,735	397,947
Debts securities issued	21,096	89,616	91,148	–	201,860
Promissory notes	3,473	–	–	–	3,473
Total	171,998	167,367	308,487	23,735	671,587

*(in thousands of US dollars)***28. Financial risk management objectives and policies (continued)****Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Interest rate risk

The Group borrows on a fixed rate basis from related parties and third party banks. Due to the ongoing world liquidity crisis the Group has a limited ability to negotiate interest rates.

The Group does not have any financial assets or liabilities with variable interest rate. All the borrowings of the Group bear fixed interest rate.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the Group's profits.

The Group does not account for any fixed rate financial assets as assets available for sale. Therefore, a change in interest rates at the reporting date would not significantly affect the Group's equity.

Currency risk

The Group's exposure to foreign currency is nominal and relates to the risks on loans receivable, payable from the related parties and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries. The currencies in which these transactions are primarily denominated are rubles and US dollars.

The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is secured from currency risks as the Group has very limited volume of transactions in currencies other than ruble. The carrying amounts of financial instruments, such as cash, short-term accounts receivable and payable, advances from customers and prepayments approximate their fair value.

The Group's exposure to currency risk determined as the net monetary position in respective currencies was as follows:

	31 December 2013	31 December 2012
USD and EUR	(8,120)	(8,770)

As at 31 December 2013, the concentration of currency risk of the Group related to US dollar-denominated current accounts payable in the amount of \$11,321 and US dollar-denominated loans receivable in the amount of \$3,078. As at 31 December 2012, the concentration of currency risk of the Group related to US dollar-denominated current accounts payable in the amount of \$11,839 and US dollar-denominated loans receivable in the amount of \$3,070.

Sensitivity analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Group's profit before tax. In 2012 and 2013, the Group assessed reasonably possible changes based on the volatility of foreign exchange rates during the reporting periods. As at 31 December 2013 and 2012 the Group used the following reasonably possible changes:

	31 December 2013		31 December 2012	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US\$	%	US\$
USD/RUR	(10.2)	(829)	(10.7)	(940)
USD/RUR	20.0	1,624	10.7	940

*(in thousands of US dollars)***28. Financial risk management objectives and policies (continued)****Market risk (continued)***Fair value of financial instruments*

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values: Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2013, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The following table shows financial instruments which carrying amounts differ from fair values as at:

	31 December 2013		31 December 2012	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
Assets				
Interest-bearing loans receivable	3,354	3,105	9,984	10,230
Total assets	3,354	3,105	9,984	10,230
Liabilities				
Interest-bearing loans and borrowings	229,367	220,952	291,292	285,537
Debts securities issued	236,681	231,818	158,112	153,078
Other liabilities	69,659	69,388	–	–
Promissory notes	–	–	3,427	3,089
Total liabilities	535,707	522,158	452,831	441,704

The fair value of long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the market rates of interest at the reporting dates. The discount rates used for valuation of financial instruments were as follows:

<i>Currency in which financial instruments are denominated</i>	<i>31 December 2013</i>	<i>31 December 2012</i>
Financial assets		
USD	4.53%	5.55%
RUR	7.47%	8.49%
Non-current financial liabilities		
USD	5.96%	7.31%
EUR	5.64%	7.56%
RUR	11.93%	12.66%
Current financial liabilities		
RUR	10.43%	12.48%

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

*(in thousands of US dollars)***28. Financial risk management objectives and policies (continued)****Market risk (continued)**

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

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

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

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

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

There have been no transfers between Level 1 and Level 2 during the period.

Fair value hierarchy for financial instruments measured at fair value as at 31 December 2013:

	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Investment property	592,914	–	–	592,914
Financial assets for which fair value is disclosed				
Interest-bearing loans receivable	3,105	–	3,105	–
Financial liabilities for which fair value is disclosed				
Interest-bearing loans and borrowings	220,952	–	220,952	–
Debts securities issued	231,818	231,818	–	–
Other liabilities	69,388	–	69,388	–

Fair value hierarchy for financial instruments measured at fair value as at 31 December 2012:

	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Investment property	658,465	–	–	658,465
Financial assets for which fair value is disclosed				
Interest-bearing loans receivable	10,230	–	10,230	–
Financial liabilities for which fair value is disclosed				
Interest-bearing loans and borrowings	285,537	–	285,537	–
Debts securities issued	153,078	153,078	–	–
Promissory Notes	3,089	–	3,089	–

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize the return to shareholders. Capital includes equity attributable to the equity holders of the parent entity. There were no changes in the objectives, policies and processes during 2013.

The Board of directors reviews the Group's performance and establishes key performance indicators. One of the subsidiaries of the Group (CJSC "Renova-StroyGroup-Akademicheskoe") is subject to loans covenants that imposed capital requirements, in particularly, net assets of the subsidiary shall exceed its share capital.

The management of the Group believes that the Group is in the compliance with this covenant as at 31 December 2013 and will be in compliance with this covenant for the nearest twelve months after 1 January 2014.

*(in thousands of US dollars)***29. Segment information**

For management purposes, the Group is organised into business units based on construction projects, and has nine reportable operating segments in 2013:

- the project "Akademic City" (investment, residential and non-residential property);
- the project "Engineering infrastructure" (services: heating, water supply, electricity);
- the project "Aprelevka" (residential and non-residential property);
- the project "Ramenki" (residential and non-residential property);
- the project "Schelkovo" (residential and non-residential property);
- the project "Yaroslavl" (residential and non-residential property);
- the project "Scherbinka" (residential and non-residential property);
- the project "Perm" (residential and non-residential property);
- the project "DPS" (residential and non-residential property).

And eight reportable operating segments in 2012:

- the project "Akademic City" (investment, residential and non-residential property);
- the project "Ramenki" (residential and non-residential property);
- the project "Aprelevka" (residential and non-residential property);
- the project "Schelkovo" (residential and non-residential property);
- the project "Yaroslavl" (residential and non-residential property);
- the project "Scherbinka" (residential and non-residential property);
- the project "Perm" (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".

In 2013 the Group has partly changed its organizational structure and a new reportable segment "Engineering infrastructure" has appeared. The segment combines the results of companies providing services to citizens.

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the results of the cash flows, representing the movement in cash flows for the reporting period. This performance indicator is calculated based on management accounts that differ from the IFRS consolidated financial statements as IFRS consolidated financial statements are prepared on an accrual basis, and management accounts are prepared on a cash basis.

Segment revenue is cash inflows reported in the Group's management accounts that are directly attributable to a segment being consideration received from customers for sale of residential or investment property being under construction, or for operating rent of premises and rendering of services.

Segment revenue is calculated based on management accounts that differ from the IFRS consolidated financial statements for the following reasons:

- IFRS consolidated financial statements are prepared on an accrual basis, management accounts are prepared on a cash basis;
- Management accounts include intra-group operations that are eliminated in IFRS consolidated financial statements.

Segment expense is cash outflows reported in the Group's management accounts that are directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to external, intra-group counterparties and expenses relating to transactions with other segments.

Segment result is segment revenue less segment expense for the reporting period.

Segment assets and liabilities are not reviewed by the Group's chief operating decision maker and presented in these consolidated financial statements in accordance with the previous accounting policies in respect of segment information.

(in thousands of US dollars)

29. Segment information (continued)

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:

Year ended 31 December 2013

	<i>Akademic city</i>	<i>Enginee-ring infra-structure</i>	<i>Ramenki</i>	<i>Aprelevka</i>	<i>Yaroslavl</i>	<i>Perm</i>	<i>Schelkovo</i>	<i>Shcher-binka</i>	<i>DPS</i>	<i>Other projects</i>	<i>Total</i>
Segment revenue	304,915	66,576	4,955	–	23,215	40,288	84,364	89,302	123,414	191,486	927,515
Accrual vs. cash basis	3,542	(4,257)	2,175	–	4,412	(21,867)	(9,355)	(6,185)	(117,226)	(19,762)	(168,523)
Elimination of intergroup operations	(660)	(45,861)	(1)	–	(16)	(23)	–	–	–	(88,362)	(134,923)
Revenue per IFRS consolidated financial statements	307,797	15,458	7,129	–	27,611	18,398	75,009	83,117	6,188	83,362	624,069

Year ended 31 December 2012

	<i>Akademic city</i>	<i>Enginee-ring infra-structure</i>	<i>Ramenki</i>	<i>Aprelevka</i>	<i>Yaroslavl</i>	<i>Perm</i>	<i>Schelkovo</i>	<i>Shcher-binka</i>	<i>DPS</i>	<i>Other projects</i>	<i>Total</i>
Segment revenue	326,704	68,645	31,694	353	19,869	31,286	96,464	34,201	237,655	136,540	983,410
Accrual vs. cash basis	(3,643)	(10,653)	39,454	(58)	(4,680)	(3,071)	1,367	(34,019)	(231,258)	13,396	(233,165)
Elimination of intergroup operations	(16,162)	(45,059)	(7,972)	(157)	(51)	(37)	(136)	–	–	(56,196)	(125,770)
Revenue per IFRS consolidated financial statements	306,899	12,933	63,176	138	15,138	28,177	97,695	182	6,397	93,740	624,475

Year ended 31 December 2013

	<i>Akademic city</i>	<i>Enginee-ring infra-structure</i>	<i>Ramenki</i>	<i>Aprelevka</i>	<i>Yaroslavl</i>	<i>Perm</i>	<i>Schelkovo</i>	<i>Shcher-binka</i>	<i>DPS</i>	<i>Other projects</i>	<i>Total</i>
Segment result	72,636	(19,398)	1,074	–	(511)	12,642	31,250	52,816	(73,985)	(69,862)	6,661
Accrual vs. cash basis	(9,495)	2,540	(6,836)	(5,983)	3,946	(7,632)	5,776	(33,152)	77,715	8,663	35,542
Net income/(loss) per IFRS consolidated financial statements	63,140	(16,858)	(5,762)	(5,983)	3,435	5,010	37,026	19,664	3,730	(61,199)	42,203

Year ended 31 December 2012

	<i>Akademic city</i>	<i>Enginee-ring infra-structure</i>	<i>Ramenki</i>	<i>Aprelevka</i>	<i>Yaroslavl</i>	<i>Perm</i>	<i>Schelkovo</i>	<i>Shcher-binka</i>	<i>DPS</i>	<i>Other projects</i>	<i>Total</i>
Segment result	48,270	(25,044)	7,970	1,854	(12,139)	12,105	42,055	(20,356)	1,764	(89,240)	(32,761)
Accrual vs. cash basis	17,516	12,434	6,332	(2,594)	11,800	(7,419)	(20,685)	20,105	(950)	76,974	113,513
Net income/(loss) per IFRS consolidated financial statements	65,786	(12,610)	14,302	(740)	(339)	4,686	21,370	(251)	814	(12,266)	80,752

There were no Group's customers amounted to 10% or more of the consolidated revenues in 2013, in 2012 9% of the Group's consolidated revenues were received upon the fulfillment of the Contractual obligations per government contracts of the Russian Federation

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)***29. Segment information (continued)****Reconciliation of segments' results to net profit**

	<i>For the years ended 31 December</i>	
	<i>2013</i>	<i>2012</i>
Segment result	6,661	(32,761)
Accrual vs. cash basis	100,968	138,707
Amortization and depreciation	(3,660)	(2,433)
(Loss)/Gain on sale property plant and equipment	(130)	3,840
Change in fair value of investment property	(6,759)	1,931
Write-down of inventories to net realizable value	(30,662)	(22,159)
Finance income	5,488	1,560
Finance expense	(26,289)	(8,851)
Forex exchange (loss)/gain, net	(729)	1,751
Loss on sale of a subsidiary (Note 8)	(709)	-
Change in allowance of irrecoverable trade and other receivables	(206)	(586)
Impairment of goodwill	(222)	-
Impairment of intangible assets	(338)	-
Share of loss of associates	(1,210)	(6,720)
Gain on bargain sale	-	5,948
Derecognition of accounts payable and reversal of impairment of loans issued	-	546
Loss from write-off of loans receivable	-	(21)
Group profit	42,203	80,752

30. Subsequent events

In January 2014 the Group obtained a control over the land plot of ZHSPK "Akademicheskoe" as a result of reorganization of the associate and establishing of a separate entity which is a 100% subsidiary of the Group – ZHSPK "Akademicheskoe-Yug".

In January-June 2014 the Group settled obligations under a loan agreement with OJSC Sberbank Russia in the total amount of \$107,535, \$93,642 with OJSC Metcombank, \$30,551 with Dagor Commercial Corp., \$1,314 with OJSC Uralsib and \$612 with OJSC KIT Finance Investment Bank (at the exchange rate at 31 December 2013).

In January-June 2014 the Group received loans from Dagor Commercial Corp. in the amount of \$30,554, \$27,498 from OJSC KIT Finance Investment Bank, \$52,012 from OJSC Sberbank Russia, \$24,967 from OJSC Metcombank, \$15,277 from OJSC MTS Bank and 2,370 from OJSC Uralsib respectively (at the exchange rate at 31 December 2013).

On 12 February 2014 LLC "RSG-Finance", Group's subsidiary, voluntarily redeemed the part of the first bonds issued. The debt securities for the total number of 162 299 were repurchased on the market at their par value of 1,000 ruble each for \$4,959 (at the exchange rate at 31 December 2013). The interest rate after repurchase was not changed and amounted to 13.25% p.a.

On 21 April 2014 LLC "RSG-Finance", Group's subsidiary, announced for a repurchase of the second bonds issued. The debt securities for the total number of 1 536 569 were repurchased on the market at their par value of 1,000 ruble each for \$46,958 (at the exchange rate at 31 December 2013). The interest rate after repurchase was not changed and amounted to 13.75% p.a.