RSG INTERNATIONAL Ltd.

Unaudited interim condensed consolidated financial statements

For the six month period ended 30 June 2016

Contents

General information

Board of Directors

Savvas Lazarides
Georgios Fysentzidis (appointed on 21 June 2016)
Stelios Trikou (appointed on 13 April 2016)
Marios Nicolaides (resigned on 13 April 2016)

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
6 Stasinou Avenue P.O. Box 21656
1511 Nicosia
Cyprus

Interim Directors' report

The Board of Directors of RSG International Ltd. (the "Company") presents herewith its interim report and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016.

Principal activities

The Group is involved in real estate development in the Russian Federation. There were no changes in the Group's activities from last year.

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 profit or loss* and *Statement of comprehensive income* on pages 1 and 2 of the interim condensed consolidated financial statements.

The Board of Directors does not recommend the payment of a dividend and the net profit for the period 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 about risks is set out in Note 27 of the consolidated financilal statements for the year ended 31 December 2015 and is not expected to change significantly during second half of 2016.

Share capital

There were no changes in the share capital of the Company during the six months ended 30 June 2016.

The authorized and issued share capital of RSG International Ltd. as of 30 June 2016 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 23, *Subsequent events*.

Board of Directors

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

Savvas Lazarides (Cypriot) – appointed on 17 February 2012.
Georgios Fysentzidis (Cypriot) – appointed on 21 June 2016.
Stelios Trikou (Cypriot) – appointed on 13 April 2016.

All Directors were members of the Board throughout the six months 2016, except Mr.Marios Nicolaides, who resigned on 13 April 2016, and Mr. Stelios Trikou, who was appointed on his place on the same date.

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

By order of the Board

A.J.K. Management Services Limited
Secretary

Larnaca,
30 September 2016

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Building a better working world

Report on review of interim condensed consolidated financial statements

To the shareholders of RSG International Ltd.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of RSG International Ltd and its subsidiaries (the "Group") as of 30 June 2016 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity, and changes in cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

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

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
30 September 2016

Interim condensed consolidated statement of profit or loss

For the six months ended 30 June 2016

(in thousands of US dollars)

	Notes	*Six months ended 30 June 2016 (unaudited)*	*Six months ended 30 June 2015* (unaudited)*
Revenue	5.1	139,734	235,921
Cost of sales	5.3	(90,993)	(188,160)
Gross profit		**48,741**	**47,761**
General and administrative expenses	5.4	(5,872)	(7,953)
Other operating income	5.6	241	3,399
Other operating expenses	5.6	(14,112)	(19,541)
Change in fair value of investment property	8	(1,869)	6,513
Operating profit		**27,129**	**30,179**
Finance income	5.5	3,356	4,841
Finance costs	5.5	(7,216)	(5,908)
Foreign exchange loss		(73)	(670)
Share of (loss)/profit of associates	4	(78)	40
Profit before income tax		**23,118**	**28,482**
Income tax expense	6	(9,078)	(7,667)
Net profit for the period		**14,040**	**20,815**
Attributable to:			
Equity holders of the parent		13,719	20,480
Non-controlling interests		321	335

* The amounts shown here do not correspond to the interim financial statements for the six months ended 30 June 2015 and reflect adjustments described in Note 2.3.

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

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June 2016

(in thousands of US dollars)

	Notes	*Six months ended 30 June 2016 (unaudited)*	*Six months ended 30 June 2015* (unaudited)*
Net profit		**14,040**	**20,815**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Effect of translation to presentation currency		39,258	3,925
Other comprehensive income, net of tax		**39,258**	**3,925**
Total comprehensive income, net of tax		**53,298**	**24,740**
Attributable to:			
Equity holders of the parent		51,643	24,232
Non-controlling interests		1,655	508

* The amounts shown here do not correspond to the interim financial statements for the six months ended 30 June 2015 and reflect adjustments described in Note 2.3.

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

Interim condensed consolidated statement of financial position

At 30 June 2016

(in thousands of US dollars)

	Notes	30 June 2016 (unaudited)	31 December 2015 (audited)*
Assets			
Non-current assets			
Property, plant and equipment	7	16,158	14,380
Intagible assets		532	3,157
Investments in associates	4	408	435
Investment properties	8	202,489	183,089
Interest-bearing loans receivable	9	12,429	7,726
Inventories	10	27,173	16,959
Other long-term receivable		703	584
Defered tax asset		8,387	8,932
		268,279	**235,262**
Current assets			
Income tax receivable		7,863	2,359
Inventories	10	337,016	325,864
Trade and other recievables	11	19,285	37,794
Prepayments	12	48,667	13,475
Interest-bearing loans receivable	9	7,142	1,074
Taxes recoverable		8,751	7,095
Cash and cash equivalents	13	70,925	54,111
		499,649	**441,772**
Investment properties held for sale	8	3,852	-
Total assets		**771,780**	**677,034**
Equity and liabilities			
Equity			
Issued capital	14	6,787	6,787
Share premium		671,712	671,712
Capital contribution reserve	14	(23,819)	(22,006)
Business combination reserve		112,009	112,009
Accumulated losses		(89,786)	(103,489)
Translation differences		(353,764)	(391,688)
		323,139	**273,325**
Total non-controlling interest		**11,942**	**10,277**
Total equity		**335,081**	**283,602**
Non-current liabilities			
Interest-bearing loans and borrowings	15	29,111	33,472
Debt securities issued	16	15,502	22,276
Provisions	18	353	291
Other liabilities	17	13,582	20,982
Deferred income tax liabilities		47,086	44,255
		105,634	**121,276**
Current liabilities			
Trade and other payables		28,354	30,061
Advances from customers		127,260	114,731
Debt securities issued	16	86,897	38,772
Interest-bearing loans and borrowings	15	74,795	52,718
Income taxes payable		840	2,984
Other taxes payable		2,409	1,898
Provisions	18	220	21,466
Other liabilities	17	10,290	9,526
		331,065	**272,156**
Total liabilities		**436,699**	**393,432**
Total equity and liabilities		**771,780**	**677,034**

On 30 September 2016, the Board of Directors of RSG International Limited authorised these financial statements for issue.

Stelios Trikou ________ Director   Savvas Lazarides ________ Director

Georgios Fysentzidis ________ Director

* The amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2015 and reflect adjustments described in Note 2.3.

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

Interim condensed consolidated statement of cash flows

For the six months ended 30 June 2016

(in thousands of US dollars)

	Six months ended 30 June	
	2016 (unaudited)	*2015* (unaudited)*
Cash flows from operating activities		
Profit before tax	**23,118**	**28,482**
Adjustments for:		
Depreciation and amortization (Note 5.2)	424	592
Finance income (Note 5.5)	(3,356)	(4,841)
Finance expenses (Note 5.5)	7,216	5,908
Foreign exchange losses	73	670
Share of loss/(profits) of associates (Note 4)	78	(40)
Loss on sale of property, plant and equipment and inventory (Note 5.6)	57	150
Change in fair value of investment properties (Note 8)	1,869	(6,513)
Write-down of inventory to net realizable value (Note 5.6)	2,094	6,905
Change in bonuses and unused vacation provisions	(927)	(211)
Losses from write off of VAT receivable	451	1,280
Change in provisons (Note 5.6)	95	221
Gain from creditor's liabilities (Note 5.6)	–	(33)
Impairment of irrecoverable trade and other receivables (Note 5.6)	913	630
Other non-cash operations	(289)	144
Operating cash flow before changes in working capital	**31,816**	**33,344**
Decrease in provisions	(10)	(2)
Decrease/(increase) in trade and other receivables	4,034	(15,098)
Decrease/(increase) in inventories	33,691	(47,689)
(Decrease)/increase in trade and other payables	(5,848)	11,022
Increase in prepayments	(30,744)	(3,269)
Increase in VAT receivable	(1,041)	(1,888)
(Decrease)/increase in advances received	(3,776)	53,827
Increase/(decrease) in other taxes payable	146	(1,212)
Increase/(decrease) in other liabilities	(8,692)	(3,013)
Cash flows from operating activities	**19,576**	**26,022**
Income tax paid	(17,396)	(7,401)
Interest paid	(12,567)	(12,118)
Net cash flows (used in)/from operating activities	**(10,387)**	**6,503**
Cash flows from investing activities		
Payment for acquisition of subsidiary, net of cash acquired	(7,500)	–
Proceeds from sale of property, plant and equipment	42	126
Purchase of property, plant and equipment	(263)	(1,341)
Purchase of investment properties	(167)	(425)
Issuance of loans receivable	(10,803)	(3,385)
Repayment of loans issued	919	31,127
Interest received	250	29
Net cash (used in)/from investing activities	**(17,522)**	**26,131**
Cash flows from financing activities		
Proceeds from borrowings and bonds	81,705	94,968
Repayment of borrowings and bonds	(45,013)	(89,764)
Repayment of finance lease obligation	(60)	(129)
Net cash flows from financing activities	**36,632**	**5,075**
Effect of exchange rate changes on cash and cash equivalents	8,091	15,602
Net increase in cash and cash equivalents	**16,814**	**53,311**
Cash and cash equivalents at the beginning of the period	**54,111**	**51,346**
Cash and cash equivalents at the end of the period	**70,925**	**104,657**

* The amounts shown here do not correspond to the interim financial statements for the six months ended 30 June 2015 and reflect adjustments described in Note 2.3.

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

Interim condensed consolidated statement of changes in equity

For the six months ended 30 June 2016

(in thousands of US dollars)

	Attributed to equity holders of the parent								
	Issued capital	*Share premium*	*Capital contribution reserve*	*Business combination reserve*	*Accumulated losses*	*Foreign currency translation reserve*	*Total*	*Non-controlling interest*	*Total equity*
As at 31 December 2014 (audited)*	**6,787**	**671,712**	**(22,478)**	**112,009**	**(110,008)**	**(310,720)**	**347,302**	**12,899**	**360,201**
Profit for the period	–	–	–	–	20,480		**20,480**	335	**20,815**
Other comprehensive income	–	–	–	–	–	3,752	**3,752**	173	**3,925**
Total comprehensive income	**–**	**–**	**–**	**–**	**20,480**	**3,752**	**24,232**	**508**	**24,740**
Contributions from shareholders (Note 14)	–	–	162	–	–	–	**162**	–	**162**
As at 30 June 2015 (unaudited)*	**6,787**	**671,712**	**(22,316)**	**112,009**	**(89,528)**	**(306,968)**	**371,696**	**13,407**	**385,103**
As at 31 December 2015 (audited)*	**6,787**	**671,712**	**(22,006)**	**112,009**	**(103,489)**	**(391,688)**	**273,325**	**10,277**	**283,602**
Profit for the period	–	–	–	–	13,719	–	**13,719**	321	**14,040**
Other comprehensive income	–	–	–	–	–	37,924	**37,924**	1,334	**39,258**
Total comprehensive income	**–**	**–**	**–**	**–**	**13,719**	**37,924**	**51,643**	**1,655**	**53,298**
Non-controlling interest arising on business combination								10	**10**
Distribution to shareholders (Note 14)	–	–	(1,813)	–	(16)	–	**(1,829)**	–	**(1,829)**
As at 30 June 2016 (unaudited)	**6,787**	**671,712**	**(23,819)**	**112,009**	**(89,786)**	**(353,764)**	**323,139**	**11,942**	**335,081**

* The amounts shown here do not correspond to the interim financial statements for the six months ended 31 June 2015 and to the consolidated financial statements for the years ended 31 December 2014 and 31 December 2015, and reflect adjustments described in Note 2.3.

(in thousands of US dollars)

1. Corporate information

The interim condensed consolidated financial statements of RSG INTERNATIONAL Ltd. (hereinafter "the Company") and its subsidiaries (hereinafter, "RSG International" or "the Group") for the six months ended 30 June 2016 were authorized for issue in accoance with a resolution of the Board of Directors on 30 September 2016.

RSG INTERNATIONAL Ltd. 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 Ltd. and its subsidiaries. The major subsidiaries are listed in the following table:

№	Entity	Country of incorporation	Activity	Effective ownership interest at 30 June 2016	Effective ownership interest at 31 December 2015
1	JSC "RSG – Akademicheskoe" (previously CJSC "Renova StroyGrup Akademicheskoe")	Russia	Real estate development	97%	97%
2	JSC "Energogeneriruyuschaya Company"	Russia	Utility production and distribution	100%	100%
3	LLC "United Contractor Relations Center"	Russia	Management services	100%	100%
4	LLC "ElitComplex"	Russia	Real estate development	100%	100%
5	LLC "EncoInvest"	Russia	Real estate development	100%	100%
6	LLC "Uralskaya Kompaniya Razvitiya"	Russia	Real estate development	100%	100%
7	LLC "Petrovskiy Aliance"	Russia	Real estate development	100%	100%
8	LLC "MegaStroy Invest"	Russia	Real estate development	100%	100%
9	LLC "RSG-Finance"	Russia	Financial services	100%	100%
10	LLC "RSG-Business Service"	Russia	Management services	100%	100%

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. For the six months ended 30 June 2016, the Group reported operating cash outflow of $10,387 and net profit of $14,040. For the six months ended 30 June 2015, the Group reported operating cash inflow of $6,503 and net profit of $20,815.

In the next twelve months the Group expects to finance its operating, and investing activities primarily with cash generated from operations, and 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 30 June 2016, 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 interim condensed consolidated financial statements.

(in thousands of US dollars)

2. Significant accounting policies

2.1 Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements of the Group for the the six months ended 30 June 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

The interim condensed consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand except when otherwise indicated. At 30 June 2016, the principal rate of exchange used for translating foreign currency balances on the Group's interim condensed consolidated statement of financial position was 64.2575 RUR/US dollar (2015: 72.8827 RUR/US dollar). The average rate used for translation of the Group's interim condensed consolidated statement of profit or loss for the first half-year of 2016 was 70.2583 RUR/US dollar (first half-year 2015: 57.3968 RUR/US dollar). Whenever a significant individual transaction can be attributed to a specific date, it was translated into the US dollars using the rate of the date of the transaction.

2.2 New standards and amendments to them

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016:

- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*
- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 27: *Equity Method in Separate Financial Statements*
- *Annual Improvements 2012-2014 Cycle*
- Amendments to IAS 1 *Disclosure Initiative*

Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

2.3 Correction of errors in comparative information

In the process of preparation of interim condensed consolidated financial statements for the period ended 30 June 2016 and for 6 months than ended, the Group changed the approach to the moment of transfer of the land plots from Investment property to Inventories with the view of development and further sale and corrected certain errors related to the prior periods.

Change in approach and correction of errors were made by the retrospective restatement of comparative information as of 31 December 2015, 30 June 2015 and for the period ended 30 June 2015. All the other changes in the comparative information present the result of reclassifications for presentation purposes only and do have no any material effect on the financial statements.

The Group believes that the new approach and changed presentation provide reliable and more relevant information for the users of its financial statements and ensures better comparability with its peers and it is likely that new presentation will continue in to the future. The nature and effect of changes and corrections are presented below:

a. The Group transferred the land plots from investment property to inventory on the basis of inclusion of land plots into the Construction plan and start of activities in accordance with Construction plan. Previously, land plots were transferred to inventory when significant design and construction costs are incurred. As a result, inventory increased by $13,115 and investment property decreased by $12,205 as of 31 December 2015, with net effect on Group's profit of $227 for the six months ended 30 June 2015.

b. Correction of error related to the improper forex rate used for the translation to presentation currency of the amounts of income recognized on derecognition of social liability of one of it's subsidiaries in 2014 and disposal one of the Group's companies in 2012. As a result of correction, accumulated losses increased and translation difference reserves increased within Equity for $1,283.

(in thousands of US dollars)

2. Significant accounting policies (continued)

2.3 Correction of errors in comparative information (continued)

c. Correction of error related to the incorrect revaluation of advance issued for the inventory represented by a non-monetary asset with the recognition of respective forex profit/ (loss) in the income statement during 2013-2015. As a result, current prepayments decreased by $1,102 and translation difference reserves increased by $555 as of 31 December 2015, forex exchange loss increased for the six months ended 30 June 2015 by $68.

d. In 2015, certain mathematical mistakes have occurred in the calculations of currency translation reserve, which resulted in understatement of currency translation reserve and overstatement of non-controlling interest as of 31 December 2015 for $3,337 and $ 2,377, and overstatement of other operational expenses for the six months ended 30 June 2015 by $122.

The comparative figures included in the previously issued consolidated financial statements of the Group for the year ended 31 December 2015 authorized for issue on 1 April 2016 and in the interim condensed consolidated financial statements for the six months ended 30 June 2015 have been restated as follows:

Statement of profit or loss lines	***Six months ended 30 June 2015 (as previously reported)***	*(a)*	*(b, c, d)*	***Six months ended 30 June 2015 (as restated)***
Cost of sales	(188,208)	48	–	(188,160)
Other operating expenses	(20,051)	388	122	(19,541)
Change in fair value of investment property	6,663	(150)	–	6,513
Foreign exchange loss	(602)	–	(68)	(670)
Income tax expense	(7,608)	(59)	–	(7,667)

Statement of profit or loss lines	***Twelve months ended 31 December 2015 (as previously reported)***	*(a)*	*(b, c, d)*	***Twelve months ended 31 December 2015 (as restated)***
Cost of sales	(282,813)	286	–	(282,527)
Other operating expenses	(34,287)	548	(960)	(34,699)
Change in fair value of investment property	(10,174)	294		(9,880)
Foreign exchange loss	(1,133)	–	(523)	(1,656)
Income tax expense	(13,323)	(226)	–	(13,549)

Statement of financial position lines	***31 December 2015 (as previously reported)***	*(a)*	*(b, c, d)*	***31 December 2015 (as restated)***
Investment properties	195,294	(12,205)	–	183,089
Inventories current	312,749	13,115	–	325,864
Prepayments	14,577	–	(1,102)	13,475
Accumulated losses	(100,428)	841	(3,902)	(103,489)
Translation differences	(396,751)	(112)	5,175	(391,688)
Total non-controlling interest	12,654	–	(2,377)	10,277
Deferred income tax liabilities	44,072	183	–	44,255

Statement of cash flows	***Six months ended 30 June 2015 (as previously reported)***	*(a)*	*(b, c, d)*	***Six months ended 30 June 2015 (as restated)***
Profit before tax	28,142	286	54	28,482
Foreign exchange (gains)/losses	602	–	68	670
Change in fair value of investment properties	(6,663)	150	–	(6,513)
Write-down of inventory to net realizable value	7,299	(394)	–	6,905
Decrease/(increase) in inventories	(47,182)	(507)	–	(47,689)
Purchase of investment properties	(890)	465	–	(425)
Effect of exchange rate changes on cash and cash equivalents	15,724	–	(122)	15,602

(in thousands of US dollars)

3. Business combinations, acquisitions and disposals

ZPIF "RSG-Strategy Novoe Zilye"

During 6 month 2016, the Group acquired 92.4% in investment fund ZPIF "RSG-Strategy Novoe Zilye" for cash consideration of $7,555. Financial position and the financial results of operations of ZPIF "RSG-Strategy Novoe Zilye" were included in the Group's consolidated financial statements starting from 14 March 2016.

Before acquisition, ZPIF "RSG-Strategy Novoe Zilye" has given advance to the Group under real estate purchase agreement and as at the date of acquisition, the Group has recognized a non-financial liability in the carring amount of $6,075. Fair value of this liability at acquisition date was $7,435.

Settlement of pre-existing relationships resulted in loss in the amount of $1,360 recognized in the Group's interim condensed consolidated statement of profit or loss (Note 5.5).

The table below sets forth the provisional fair values of LLC ZPIF "RSG-Strategy Novoe Zilye"'s identifiable assets and liabilities at the date of acquisition:

	March 2016
Cash	55
Trade and other receivables and prepayments	110
Financial assets	896
Trade and other payables	(931)
Net assets	**130**
Non-controlling interest	(10)
Total net assets less NCI	**120**

Purchase consideration comprised of settlement of preexisting relationships.

Cash consideration	7,555
Less settlement of pre-existing relationships	(7,435)
Total consideration	**120**

No goodwill arise as a result of this transaction.

Analysis of cash flows on acquisition is as follows:

Cash consideration	7,555
Less cash aquired	(55)
Net cash flow on acquisition	**7,500**

4. Investments in associates

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

CJSC UK Akademichesky

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

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

	CJSC UK Akademichesky	
	For the six months ended 30 June	
	2016	*2015*
Opening balance as at 1 January	**435**	**354**
Share of (loss)/profit for the year	(78)	40
Translation difference	51	6
Closing balance at 30 June	**408**	**400**

(in thousands of US dollars)

5. Income and expenses

5.1 Revenues

Revenues include the following:

	For the six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Sales of residential property	126,822	78,463
Sales of other projects	7,947	126,598
Sales of uncompleted projects	–	26,299
Rental income	450	410
Other revenue	4,515	4,151
Total	**139,734**	**235,921**

In the first half of 2016, the Group recognized sale of land plots in Sverdlovsk region in the total amount of $7,947 as revenue from sales of other projects. Related expenses was recognized as "Cost of sales of other projects" in the amount of $4,961 (Note 5.3).

In the first half of 2015, the Group purchased hotel complex from the company under common control – LLC "Top Project" – and sold it to an unrelated party. The Group had previously provided the hotel complex development services under an agency agreement to the seller during the construction period. The Group considers real estate investments and sales as its principal activity and, consequently, recognizes such income as "Revenue" in the amount of $126,598 and related expenses as "Cost of sales" in the amount of $117,744 (Note 5.3) in the interim consolidated statement of profit or loss.

In June 2015, the Group sold inventories (construction in progress) of Aristovo project. Sale of inventories was arranged through the sale of 100% share in the capital of its subsidiary LLC "Zolotoy Vozrast". The only significant asset of the subsidiary was the right to lease the land, classified as "construction in progress". Total assets of the subsidiary at the date of disposal amounted to $15,165 (including assets under construction in the amount of $14,628) and liabilities amounted to $10,293 (including social obligations in the amount of $2,189 and payable to the Buyer in the amount of $6,567, which originated before the sale of 100% share in the capital and represents the loan given by the Buyer to LLC "Zolotoy Vozrast" to repay intragroup loans). Since the substance of the transaction was the sale of the Group's assets under construction and transfer of the related social obligations, this transaction was presented as the sale of inventories for the total amount of $26,299. Cost of the disposed inventories was reduced by the amount of the related social obligations.

Other revenue is mainly represented by sales of heating energy in the amount of $3,134 (for the six months ended 2015: $2,526).

5.2 Employee benefits, depreciation and amortization

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

	For the six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Staff costs, including social security taxes	2,364	4,029
Depreciation and amortisation	424	592

5.3 Cost of sales

Cost of sales include the following:

	For the six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Cost of sales of residential property (Note 10)	82,835	56,259
Cost of sales of other projects (Note 10)	4,961	117,744
Cost of sales of uncompleted projects	–	11,439
Cost of sales for rent	36	67
Other costs	3,161	2,651
Total	**90,993**	**188,160**

(in thousands of US dollars)

5. Income and expenses (continued)

5.3 Cost of sales (continued)

For the six months ended 30 June 2015 the Group recognized cost of sold hotel complex in Sochi and uncompleted project Aristovo as cost of sales in the amount of $117,744 and $11,439, respectively.

5.4 General and administrative expenses

The structure of general and administrative expenses was the following:

	For the six months ended 30 June	
	2016 (unaudited)	***2015 (unaudited)***
Consulting	1,918	1,748
Payroll	948	2,698
Taxes	603	282
Rent	450	573
Security	426	490
Other assurance services	264	279
Depreciation of property, plant and equipment	212	315
Repair and maitanance	202	170
Representation expenses	196	322
Telecommunication	142	159
Materials	142	136
Other professional services	51	58
Utilities services	45	167
Amortization of intangible assets	39	47
Tax services	3	71
Other	231	438
Total	**5,872**	**7,953**

5.5 Finance income and expenses

Finance income

The components of finance income were as follows:

	For the six months ended 30 June	
	2016 (unaudited)	***2015 (unaudited)***
Interest on bank accounts and deposits	2,627	3,368
Interest on loans receivable	408	1,117
Interest on unwinding of discount on loans and accounts receivable	321	356
Total	**3,356**	**4,841**

Finance expenses

The components of finance expenses were as follows:

	For the six months ended 30 June	
	2016 (unaudited)	***2015 (unaudited)***
Interest expense	5,602	5,453
Other financial expenses	1,614	455
Total	**7,216**	**5,908**

(in thousands of US dollars)

5. Income and expenses (continued)

5.6 Other operating income and expenses

Other operating income

The components of other operating income were as follows:

	For the six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Receivables recovery (related party) and net penalty gains	52	2,921
Gain from disposal of creditor's liabilities	–	33
Other income	189	445
Total	**241**	**3,399**

Other operating expenses

The components of other operating expenses were as follows:

	For the six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Commercial expenses	6,469	4,430
Charity	2,373	4,925
Write-down of inventories to their net realizable value (Note 10)	2,094	6,905
Maintenance of completed real property	1,157	468
Change in allowance for irrecoverable trade and other receivables (Note 11, 12)	913	630
Other taxes (excluding income tax)	508	1,439
Bank services	164	179
Legal provision	95	221
Loss on disposal of property, plant and equipment	57	150
Write-off of unrecoverable trade and other receivables	26	–
Other expenses	256	194
Total	**14,112**	**19,541**

6. Income tax

Corporate tax

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

	For the six months ended 30 June	
	2016	2015
The Russian Federation (ordinary rate)	20.00%	20.00%
The Russian Federation (special tax regime area – The Perm Territory)	–	15.50%
The Republic of Cyprus	12.50%	12.50%
Belize, BVI, Russian Federation (special rate)	0%	0%

Major components of income tax expense were as follows:

	For the six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Income tax expense – current	10,324	5,809
Deferred tax expense (benefit) – origination and reversal of temporary differences	(1,247)	1,809
Income tax – previous years	1	49
Income tax expense reported in the consolidated statement of profit or loss	**9,078**	**7,667**

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

(in thousands of US dollars)

7. Property, plant and equipment

Additions to construction in progress during the six months ended 30 June 2016 in the total amount of $319 (for the six months ended 30 June 2015: $2,014) were mainly represented by construction costs incurred on continued construction of utilities networks amounted to $246 (for the six months ended 30 June 2015: $1,532).

The amount of borrowing costs capitalized as part of additions to property, plant and equipment during six months ended 30 June 2016 amounted to $180 (for the six months ended 30 June 2015: $196).

The weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 9.39% for 30 June 2016 (for the six months ended 30 June 2015: 13.55%), which is the effective interest rate on specific borrowings.

For the six months ended 30 June 2016, the Group recognized depreciation charge of $385 (for the six months ended 30 June 2015: $545).

8. Investment properties

Investment property consisted of the following:

	30 June 2016 (unaudited)	*30 June 2015 (unaudited)*
Opening balance at 1 January	**183,089**	**283,981**
Additions (subsequent expenditure)	655	856
Transfer from/to inventory (Note 10)	3	(18,073)
Translation difference	24,463	3,394
(Decrease)/increase in fair value of investment property	(1,869)	6,513
Closing balance at 30 June	**202,489**	**276,671**
Closing balance at 30 June – held for sale	**3,852**	**–**

Interest capitalized as part of subsequent expenditure to investment properties amounted to $488 and $431 for the six months ended 30 June 2016 and 2015, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization for the six months ended 30 June 2016 was 2.97% (2015: 13.47%).

During the six month period ended 30 June 2016, the Group had income from rent of investment property of $121 (for the six months ended 30 June 2015: $250) and direct operating expenses arising from investment property that generated rental income of $66 (for the six months ended 30 June 2015: $76).

As at 30 June 2016, the Group had an intention to sell land plots in Akademicheskiy district in Ekaterinburg and Chelyabinsk. Therefore, the Group transferred following land plots to the Investment property held for sale, the fair value of the assets was measured based on the expected sale price of $3,852.

During the six months ended 30 June 2016 and 2015, the fair value of investment property was determined primarily 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. There were no transfers between levels during the six months ended 30 June 2016.

(in thousands of US dollars)

8. Investment properties (continued)

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

The Group used income and comparable approaches for valuation of investment property.

Below are the major projects of the Group and description of valuation techniques for each as at 30 June 2016 and 2015. The investment properties are represented by the land plots for RSG-Akademicheskoe project.

RSG-Academicheskoe project had fair value of the investment property of $180,846 and 87.64% share in total consolidated value of investment property as of 30 June 2016 (31 December 2015: $162,295 and 88.64%, respectively).

Unobservable inputs for project RSG-Academicheskoe were as follows:

Description	*Methods of assessment*	*Unobservable inputs for project*	*Range (weighted average)*	*Sensitivity of the fair value to the inputs*
Land plots	Income approach, discounted cash flow method	Annual change of sales price for land plot	10.00%	Decrease of sales price growth to 5% and 10% would decrease fair value by $7,906 and $15,811
		Discount rate for investor's cashflows	19.00%	Increase of investor's cashflows discount rate to 1% and 2% would decrease fair value by $6,505,and $12,808
		Discount rate for developer's cashflows	25.00%	Increase of developer's discount rate to 1% and 2% would decrease fair value by $7,128 and $13,804
		Annual change of cost of construction	2.00%	Increase of cost of construction to 2% and 4% would decrease fair value by $8,186 and $16,558

Significant increases (decreases) in price adjustments to the comparable plots and discount rate in isolation would result in a significantly higher (lower) fair value of the properties.

9. Interest-bearing loans receivable

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

	Interest rate 2016	*30 June 2016 (unaudited)*	*Interest rate 2015*	*31 December 2015 (audited)*
Non-current loans receivable				
Loans receivable from third parties	5.91-10.00 %	279	5.91-11.15%	4,989
Loans receivable from related parties (Note 19)	0.00-14.00%	12,150	3.35-14.00%	2,737
Total non-current loans receivable		**12,429**		**7,726**
Current loans receivable				
Loans receivable from third parties	6.00-19.00%	7,142	7.35-19.00%	1,074
Total current loans receivable		**7,142**		**1,074**

Loans receivable were denominated in currencies as presented below:

	Interest rate 2016	*30 June 2016 (unaudited)*	*31 December 2015*	*31 December 2015 (audited)*
RUR	0.00-19.00%	17,033	5.91-19.00%	6,371
USD	3.35%	2,538	3.35%	2,429

(in thousands of US dollars)

10. Inventories

Inventories consisted of the following as of:

	30 June 2016 (unaudited)	*31 December 2015 (audited)*
Inventory properties under construction		
- at cost	294,123	236,360
- at net realizable value	7,588	10,197
Constructed inventory properties		
- at cost	39,260	74,819
- at net realizable value	18,116	14,613
Other inventory, at cost	5,102	6,834
Total	**364,189**	**342,823**
Including		
- current	337,016	325,864
- non-current	27,173	16,959

Write-down of inventory to net realizable value is recognized in other operating expenses in the amount of $2,094 and $6,905 for the six months ended 30 June 2016 and 2015, accordingly (Note 5.6).

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

	30 June 2016 (unaudited)	*30 June 2015 (unaudited)*
Opening balance at 1 January (audited)	**342,823**	**359,328**
Construction costs incurred	60,742	87,678
Purchase of other projects from related party	–	109,904
Other costs incurred	1,735	145
Interest capitalized	6,774	7,992
Transfer from/(to) property, plant and equipment	(18)	(632)
Transfer from/(to) investment property (Note 8)	(3)	18,073
Write-down to net realizible value (Note 5.6)	(2,094)	(6,905)
Disposals (recognized in cost of sales of residential property) (Note 5.3)	(82,835)	(56,259)
Disposals (recognized in cost of other sales and other expenses)	(1,735)	(121,913)
Disposal of uncompleted construction and other projects (Note 5.3)	(4,961)	(14,628)
Translation difference	43,761	22,282
Balance as at 30 June (unaudited)	**364,189**	**405,065**

During the first half of 2016, the Group sold 3 land plots in Akademicheskiy district, disposal recognized in cost of sales of other projects in the amount of $4,961 (at historical exchange rates (Note 5.3).

In the first half of 2015, the Group acquired from related party the hotel in the amount of $102,210 (at historical exchange rate), night club in the amount of $4,023 and youth animation centre in amount of $3,671. Disposals recognized in cost of other sales and other expenses represent mainly the cost of the hotel complex sold to a third party in the amount of $117,744 (at historical exchange rate) and night club in the amount of $4,023 donated to a third party (Note 5.3, 5.6).

During 2015, the Group sold Aristovo project, which main asset was represented by an uncompleted construction property with carrying amount of $14,628 (Notes 5.1).

11. Trade and other receivables

Trade and other receivables consisted of the following as at:

	30 June 2016 (unaudited)	*31 December 2015 (audited)*
Trade accounts receivable due from third parties	4,128	3,022
Trade accounts receivable due from related parties (Note 19)	558	498
Other accounts receivable due from third parties	12,419	10,671
Reimbursement asset under guarantee with related party (Note 19)	–	20,599
Other accounts receivable due from related parties (Note 19)	3,611	3,544
Allowance for irrecoverable amounts	(1,431)	(540)
	19,285	**37,794**

Trade and other receivables were mainly denominated in Russian rubles.

(in thousands of US dollars)

11. Trade and other receivables (continued)

Movements of irrecoverable amounts are presented below:

	30 June 2016 (unaudited)	*31 December 2015 (audited)*
At January	**540**	**622**
Charge for the six months period/year (Note 5.6)	913	129
Amounts reversed (Note 5.6)	(164)	–
Translation differences	142	(211)
At the end of period	**1,431**	**540**

12. Prepayments

Prepayments made consisted of the following as at:

	30 June 2016 (unaudited)	*31 December 2015 (audited)*
Prepayments made to third parties for construction services	6,963	5,491
Prepayments made to third party for investment project	39,621	6,898
Prepayments made to related parties (Note 19)	2,875	1,627
Allowance for irrecoverable amounts	(792)	(541)
	48,667	**13,475**

Trade and other receivables were mainly denominated in Russian rubles.

As of 30 June 2016 and 31 December 2015, the Group recognized $7,019 and $6,898 of prepayments made to third party for investment project, which Group is planning to undertake in the future, respectively.

In June 2016, the Group made prepayment for the acquisition of project Zhivopisnaya in the amount of $32,602 which Group is planning to undertake in the future.

Movements of irrecoverable amounts are presented below:

	30 June 2016 (unaudited)	*31 December 2015 (audited)*
At January	**541**	**692**
Charge for the six months period/year (Note 5.6)	164	16
Translation differences	87	(167)
At the end of period	**792**	**541**

13. Cash and cash equivalents

Cash and cash equivalents consisted of the following as of:

	30 June 2016 (unaudited)	*31 December 2015 (audited)*
Cash at bank and in hand	38,013	37,332
Cash in JSC "Metcombank" (Note19)	29,005	15,383
Short term deposits	3,907	1,396
	70,925	**54,111**

Cash and cash equivalents were mainly denominated in Russian rubles.

(in thousands of US dollars)

14. Equity

Total number of outstanding shares comprised:

Autorised, issued and fully paid	*Number of shares*	*Share capital*
At 31 December 2015	6,786,205	6,787
At 30 June 2016	6,786,205	6,787

In April 2016, the Group provided loan to an entity under common control maturing at 30 April 2019. This loan was recognized at fair value on initial recognition based on the market rate of interest for similar loans at the date of receipt. The loan reseivable outstanding amounted to $5,556 at 30 June 2016 (31 December 2015: $nil). The difference between the fair value and the nominal value of the loan on initial recognition is recorded as distribution to shareholders in the consolidated statement of changes in equity of the Group and amounted to $1,829 for the the six month ended 30 June 2016 (six months ended 30 June 2015: $nil).

On June 30, 2015, the maximum amount of quarantee provided by the Group in relation to the loan received by the entity under common control (Note 19) was reduced to 1.5 billion rubles. The resulting decrease in carring amount of the guarantee was recognized as contribution from shareholders in the amount of $162.

15. Interest-bearing loans and borrowings

The Group had the following interest-bearing loans and borrowings as at 30 June 2016 and 31 December 2015:

Non-current interest-bearing loans and borrowings	*Interest rate 2016*	*30 June 2016 (unaudited)*	*Unused borrowing facilities*	*Interest rate 2015*	*31 December 2015*	*Unused borrowing facilities*
Loans and borrowings from third parties	0.00-17.00%	17,555	84,575	15.94-18.00%	23,427	56,676
Loans and borrowings from related parties	3.00-11.50%	11,556	14	3.00-11.75%	10,045	12
Total non-current interest-bearing loans and borrowings		**29,111**	**84,589**		**33,472**	**56,688**

Current portion of non-current interest-bearing loans and borrowings	*Interest rate 2016*	*30 June 2016 (unaudited)*	*Unused borrowing facilities*	*Interest rate 2015*	*31 December 2015*	*Unused borrowing facilities*
Loans and borrowings from third parties	12.75-16.00%	51,761	–	15.94-16.00%	28,762	–
Loans and borrowings from related parties	–	–	–	–	–	–
Total current portion of non-current interest-bearing loans and borrowings		**51,761**	**–**		**28,762**	**–**

Current interest-bearing loans and borrowings	*Interest rate 2016*	*30 June 2016 (unaudited)*	*Unused borrowing facilities*	*Interest rate 2015*	*31 December 2015*	*Unused borrowing facilities*
Loans and borrowings from third parties	15.45-17.30%	22,781	–	0.00-21.00%	23,731	83,258
Loans and borrowings from related parties	11.00%	253	–	0.00-11.00%	225	9,604
Total current interest-bearing loans and borrowings		**23,034**	**–**		**23,956**	**92,862**
Total interest-bearing loans and borrowings		**103,906**	**84,589**		**86,190**	**149,550**

All borrowings bear fixed interest as at 30 June 2016 and 31 December 2015. Interest-bearing loans and borrowings were mainly denominated in Russian rubles.

(in thousands of US dollars)

15. Interest-bearing loans and borrowings (continued)

Compliance with covenants

According to loan agreements terms, the Group and its subsidiaries are required to comply with debt covenants. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness. The Group was in compliance with all covenants as at 30 June 2016 and 31 December 2015.

Pledged assets

At 30 June 2016, the Group had inventory with a carrying amount of $109,083 (31 December 2015: $127,431) and investment property with a carrying amount of $135,548 at 30 June 2016 (31 December 2015: $120,508) pledged as collateral under the loan agreements.

The Group had property plant and equipment with a carrying value of $22 at 30 June 2016 (31 December 2015: $19) pledged as collateral under the loan agreements.

As at 30 June 2016, the Group had pledged shares of the following subsidiaries:

Lender	*Subsidiary pledged*	*Pledged share of subsidiary*	*Share of pledged subsidiary in the total consolidated assets of the Group*	*Share of pledged subsidiary in the total consolidated revenue of the Group*	*Net assets of pledged subsidiary (including intra-group balances)*
PJSC "Sberbank"	JSC "RSG-Academicheskoe"	100%	45.68%	34.29%	299,763
PJSC "Bank Uralsib"	LLC "Encolnvest"	100%	7.06%	46.25%	63,398
PJSC "Bank Uralsib"	LLC "Region Story Invest"	100%	2.61%	–	21,597
PJSC "Bank "Saint-Petersburg"	LLC "Petrovsky Aliance"	100%	5.40%	0.00%	18,652
PJSC "Sberbank"	LLC "Stroy Region Holding"	100%	3.31%	0.00%	2,933
PJSC "Sberbank"	LLC "PSP Express"	100%	2.60%	1.35%	3,272
AKB Absolut Bank	JSC "Kortros-Perm"	100%	2.35%	0.08%	2,748
					412,363

As at 31 December 2015, the Group had pledged shares of the following subsidiaries:

Lender	*Subsidiary pledged*	*Pledged share of subsidiary*	*Share of pledged subsidiary in the total consolidated assets of the Group*	*Share of pledged subsidiary in the total consolidated revenue of the Group*	*Net assets of pledged subsidiary (including intra-group balances)*
PJSC "Sberbank"	JSC "RSG-Academicheskoe"	100%	49.21%	29.85%	254,613
PJSC "Sberbank"	LLC "ElitComplex"	100%	6.61%	15.02%	43,076
PJSC "Bank Uralsib"	LLC "Encolnvest"	100%	9.65%	10.40%	34,034
PJSC "Sberbank"	LLC "Stroy Region Holding"	100%	3.08%	–	2,810
PJSC "Sberbank"	LLC "PSP Express"	100%	2.53%	4.30%	2,428
PJSC "Commercial bank "Absolut Bank"	JSC "Kortros-Perm"	100%	1.11%	–	1,474
					338,435

16. Debt securities issued

On 24 June 2016, LLC "RSG-Finance" issued the fifth tranche of 1 billion ruble denominated bonds ($15,562 at the exchange rate at 30 June 2016) with a par value of 1,000 ruble each. These securities were issued at par value, mature on 18 June 2021, bear interest rate of 14.50% per annum, payable semi-annually, 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 fourth issue of bonds in the amount of $72 represented agent commission and arrangement costs.

As of 30 June 2016 debt securities of the forth issue in the total number 495,201 amounted to $7,707 were purchased by the Group's subsidiary (31 December 2015: 1,491,000 and $20,458).

(in thousands of US dollars)

17. Other liabilities

Other liabilities consisted of the following as of:

	30 June 2016 (unaudited)	*31 December 2015 (audited)*
Non-current non-financial liabilities		
Liabilities for purchasing of land lease rights and assets	9,454	16,761
Non-current financial liabilities		
Liabilities for acquisition of investment property	–	3,468
Liabilities for acquisition of investment property - related parties	3,569	–
Liabilities for purchasing of land lease rights and assets	265	504
Lease obligations	97	59
Other liabilities	197	190
	13,582	**20,982**
Current non-financial liabilities		
Liabilities for investment contracts with local authorities	6,635	6,018
Current financial liabilities		
Liabilities for acquisition of investment property – current portion	–	3,000
Liabilities for acquisition of investment property – current portion – related parties	3,000	–
Liabilities for purchasing of land lease rights – current portion	517	394
Lease obligations – current portion	89	69
Other current liabilities	49	45
	10,290	**9,526**

In 2013, the Group acquired LLC "Petrovskiy Aliance" representing purchase of land lease right. On 18 March 2016, the Group settled liabilities represented by an obligation to transfer 20% of apartments after completion the construction (31 December 2015: $8,427). As of 30 June 2016 the Group had outstanding long term payable to Saint Peterburg Administration in amount of $107 (31 December 2015: $125), the short term payable represents the payable to Saint Peterburg Administration in the amount of $91 (31 December 2015: $77) accordingly.

In 2015, the Group acquired LLC "Perchushkovo Development" representing purchase of assets. As of 30 June 2016, the Group had outstanding non-current liabilities in respect of this purchase represented by an obligation to transfer 16% of constructed real estate property after completion the construction in amount of $9,454 (31 December 2015: $8,334) and long term payable to the seller in amount of $158 (31 December 2015: $379), the short term payable represents the payable to the seller in the amount of $426 (31 December 2015: $317).

In July 2012, the Group concluded agreement for acquisition of LLC "Zolotoy Vozrast", by substance representing purchase of land lease right. As of 30 June 2016 and 31 December 2015, the Group had outstanding accounts payable in respect of this purchase in the amount of $6,569 and $6,468 respectively. On 1 April 2016, liabilitity was assigned to the related party. In 2015, LLC "Zolotoy Vozrast" was sold to a third party; accounts payable for its purchase will be fully repaid in 2018.

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 free of charge. Current non-financial liabilities represented liabilities of the Group for provision of apartments under these investment contracts in amount of $6,635 and $6,018 as at 30 June 2016 and 31 December 2015, respectively.

18. Provisions

Provisions consisted of the following:

	Legal claims	*Construction of social objects*	*Provision for reconstruction*	*Guarantee issued*	*Total*
At 31 December 2015 (audited)	**100**	**333**	**725**	**20,599**	**21,757**
Accrued	102	–	–	–	**102**
Used amounts	(10)	(2)	(362)	–	**(374)**
Unused amounts reversed	(3)	(33)	(390)	–	**(426)**
Guarantee reversed (Note 20)	–	–	–	(21,368)	**(21,368)**
Unwinding of discounting	–	22	–	–	**22**
Translation differences	21	43	27	769	**860**
At 30 June 2016 (unaudited)	**210**	**363**	**–**	**–**	**573**

(in thousands of US dollars)

19. 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 30 June 2016 and 31 December 2015 and six months period ended 30 June 2016 and 2015 are detailed below:

At 30 June 2016 (unaudited)	*Loans receivable*	*Trade and other receivables*	*Advances issued*	*Cash and cash equivalents*	*Interest-bearing loans and borrowings*	*Trade and other payables, other liabilities*	*Advances received*
Shareholder of the parent company	–	–	–	–	–	–	–
Associates	–	16	545	–	–	151	4
Entities under common control	12,150	4,153	2,330	29,005	11,809	6,982	95
Total	**12,150**	**4,169**	**2,875**	**29,005**	**11,809**	**7,133**	**99**

31 December 2015	*Loans receivable*	*Trade and other receivables*	*Advances issued*	*Cash and cash equivalents*	*Interest-bearing loans and borrowings*	*Trade and other payables, other liabilities*	*Advances received*
Associates	–	1	137	–	–	144	23
Entities under common control	2,737	24,640	1,490	15,383	10,270	233	142
Total	**2,737**	**24,641**	**1,627**	**15,383**	**10,270**	**377**	**165**

Six months ended 30 June 2016 (unaudited)	*Revenue*	*Finance income*	*Cost of sales*	*Finance costs expensed and capitalized*	*Other income/ (expenses)*	*Purchases*
Associates	85	–	49	–	(348)	–
Entities under common control	2,793	1,428	128	711	(29)	835
Total	**2,878**	**1,428**	**177**	**711**	**(377)**	**835**

Six months ended 30 June 2015 (unaudited)	*Revenue*	*Finance income*	*Cost of sales*	*Finance costs expensed and capitalized*	*Other income/ (expenses)*	*Purchase of inventory (Note 5.3)*
Shareholder of the parent company	–	194	–	13	–	–
Associates	41	–	198	–	(152)	–
Entities under common control	2,404	4,293	321	2,814	6	109,904
Total	**2,445**	**4,487**	**519**	**2,827**	**(146)**	**109,904**

The balances with related parties as at 30 June 2016 and 31 December 2015 are unsecured and settlement occurs in cash. Loans and borrowings are mostly 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 except as described in Notes 14 and 18.

(in thousands of US dollars)

19. Balances and transactions with related parties (continued)

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 profit or loss and consisted of short-term employee benefits:

	For six months ended 30 June	
	2016 (unaudited)	***2015 (unaudited)***
Salary	1,573	1,435
Performance bonuses	1,022	1,615
Other compensations	31	32
Social security taxes	81	95
Total	**2,707**	**3,177**

20. 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.

In 2016, the Russian economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries in 2014. The Rouble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, 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 preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities.

Separately, changes in tax legislation which may have significant influence on tax consequences of the Group should be mentioned, including the following:

- New deoffshorization rules which came into force starting 1 January 2015. In accordance with these rules the Russian tax authorities have right to challenge application of the double tax treaty benefits (beneficial ownership concept) and define foreign companies as the Russian tax residents if these companies are effectively managed from Russia. These amendments as well as the introduction of taxation of controlled foreign companies and the concept of taxation of capital gains from indirect sale of property-rich companies may have significant negative impact on interpretation of different transactions performed by the Group.

The Group estimated that as of 30 June 2016 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. In some instances, court practice, which was previously positive for the taxpayers, has changed to negative.

(in thousands of US dollars)

20. Contingencies, commitments and operating risks (continued)

Taxation (continued)

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.

Insurance policies

The Group holds insurance policies in relation to its assets, covering a number of cases such as accidents, fire, wrongful anctions, 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 had signed a number of contracts for the construction works as of 30 June 2016. The Group had firm contractual commitments for the construction works for an approximate amount of $75,040 as at 30 June 2016 (31 December 2015: $59,614).

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.

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 18).

Besides the mentioned above the Group is involved in a legal proceedings the possible risk of which is amounted to $45 and $156 as at 30 June 2016 and 31 December 2015.

Guarantees

In 2011, 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 above-mentioned entity has significant assets, sources of income and cash flows sufficient to fulfill such an obligation. In June 2015, the maximum amount of the quarantee provided was reduced to 1.5 billion rubles.

Management of the Group concluded that as at 31 December 2015, it became probable that Vnesheconombank may execute the guarantee, therefore the Group recognized provision for the guarantee (Note 18) and corresponding receivable asset under the counter guarantee ("reimbursement asset", Note 11) in the amount of $20,599 (1.5 billion rubles). In June 2016, the underlying loan agreement with Vnesheconombank was modified and, as a result, the probability of cash outflows under the guarantee became less than probable. The Group reversed provision for the guarantee and receivable asset under the counter guarantee as of 30 June 2016 (Note 18).

21. Fair value measurement

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 estimated losses of these receivables.

(in thousands of US dollars)

21. Fair value measurement (continued)

Fair value of the 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:

	30 June 2016		*31 December 2015*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Assets				
Interest-bearing loans receivable	19,571	18,270	8,800	8,354
Prepayment for non-financial assets	6,000	5,930	6,000	5,860
Total assets	**25,571**	**24,200**	**14,800**	**14,214**
Liabilities				
Interest-bearing loans and borrowings	103,906	96,889	86,190	83,967
Debts securities issued	102,399	96,390	61,048	59,147
Total liabilities	**206,305**	**193,279**	**147,238**	**143,114**

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:

Currency in which financial instruments are denominated	*30 June 2016*	*31 December 2015*
Current financial assets		
USD	2.37%	2.39%
RUR	15.14%	13.32%
Current financial liabilities		
USD	5.17%	5.88%
EUR	4.05%	4.66%
RUR	15.14%	13.32%
Non-current financial liabilities and assets		
USD	4.72%	4.72%
RUR	15.63%	15.63%

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.

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

(in thousands of US dollars)

21. Fair value measurement (continued)

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 levels of hierarchy during the period.

For financial instruments and investment property carried at fair value as at 30 June 2016 the levels in the fair value hierarchy into which the fair values are categorised are as follows:

	Total	*Level 1*	*Level 2*	*Level 3*
Non-financial assets measured at fair value				
Investment property	**202,489**	–	–	202,489
Financial assets for which fair value is disclosed				
Interest-bearing loans receivable	**18,270**	–	–	18,270
Prepayment for non-financial assets	**5,930**	–	–	5,930
Financial liabilities for which fair value is disclosed				
Interest-bearing loans and borrowings	**96,889**	–	–	96,889
Debts securities issued	**96,390**	–	96,390	–

Fair value hierarchy for financial instruments and investment property measured at fair value as at 31 December 2015:

	Total	*Level 1*	*Level 2*	*Level 3*
Non-financial assets measured at fair value				
Investment property	**183,089**	–	–	183,089
Financial assets for which fair value is disclosed				
Interest-bearing loans receivable	**8,354**	-	-	8,354
Prepayments for non-financial assets	**5,860**	–	–	5,860
Financial liabilities for which fair value is disclosed				
Interest-bearing loans and borrowings	**83,967**	–	–	83,967
Debts securities issued	**59,147**	–	59,147	-

22. Segment information

For management purposes, the Group is organized into business units based on construction projects. All business units are located in Russian Federation. Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

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

Segment expense is expenses 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.

Segment result is segment revenue and other operating income less segment operating expense for the reporting period.

(in thousands of US dollars)

22. 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:

The six months ended 30 June 2016

	Akademic city	*Enginee-ring infra-structure*	*Yaroslavl*	*Schelkovo*	*Shcher-binka*	*DPS*	*Aristovo*	*Manage-ment company*	*Total*
External segment revenue	39,999	3,537	1,514	21,035	67,711	23	–	430	134,249
Intersegment revenue	–	–	–	688		–	–	–	688
Total segment revenue	39,999	3,537	1,514	21,723	67711	23	–	430	134,937

	Akademic city	*Enginee-ring infra-structure*	*Yaroslavl*	*Schelkovo*	*Shcher-binka*	*DPS*	*Aristovo*	*Manage-ment company*	*Total*
External segment operating profit/(loss)	4,271	604	(342)	5,592	26,650	(44)	–	(9,091)	27,640
Intersegment operations	(255)	1,338	–	2	212	–	–	–	1,297
Total segment operating profit/(loss)	4,016	1,942	(342)	5,594	26,862	(44)	–	(9,091)	28,937

The six months ended 30 June 2015

	DPS	*Akademic city*	*Enginee-ring infra-structure*	*Yaroslavl*	*Aristovo*	*Schelkovo*	*Shcher-binka*	*Manage-ment company*	*Total*
External segment revenue	126,614	40,461	2,938	12,281	26,299	19,546	538	54	228,731
Intersegment revenue	–	38	263	–	–	–	–	–	301
Total segment revenue	126,614	40,499	3,201	12,281	26,299	19,546	538	54	229,032

	DPS	*Akademic city*	*Enginee-ring infra-structure*	*Yaroslavl*	*Aristovo*	*Schelkovo*	*Shcher-binka*	*Manage-ment company*	*Total*
External segment operating profit/(loss)	8,842	5,418	(827)	3,031	14,837	6,945	(963)	(9,136)	28,147
Intersegment operations	–	(1,585)	798	–	–	–	–	–	(787)
Total segment operating profit/(loss)	8,842	3,833	(29)	3,031	14,837	6,945	(963)	(9,136)	27,360

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)

22. Segment information (continued)

Reconciliation of segments' results to net profit

	For the six months ended 30 June	
	2016	2015
Revenue reconciliation		
Total revenue from reportable segment	134,937	229,032
Elimination of intersegment revenue	(688)	(301)
Revenue from all other segments	5,485	7,190
Total group revenue	**139,734**	**235,921**
Operating profit reconciliation		
Total operating profit from reportable segment	28,937	27,360
Elimination of intersegment operations	(1,297)	787
Operating profit/(loss) from non-reportable segments	1,358	(4,481)
Change in fair value of investment property	(1,869)	6,513
Total group operating profit	**27,129**	**30,179**
Finance income	3,356	4,841
Finance costs	(7,216)	(5,908)
Foreign exchange (losses)/gain, net	(73)	(670)
Share of (losses)/profits of associates	(78)	40
Profit before income tax	**23,118**	**28,482**
Income tax expense	(9,078)	(7,667)
Net profit for the period	**14,040**	**20,815**

The main differences between revenue and operating profit under IFRS and management accounts are represented by different amount of inventories write-down to net realizable value (Note 5, 10) and other provisions, accrued under IFRS.

23. Subsequent events

In July 2016, LLC "ElitComplex", Group's subsidiary, acquired 100% shares in LLC "Stroitel", which represents project Zhivopisnaya, which the Group is planning to undertake in the future, from third party for consideration $31,563 (at the exchange rate of 30 June 2016).

In August 2016 JSC "RSG-Akademicheskoye", Group's subsidiary, sold investment property and property, plant and equipment to the third party for the total consideration $3,149 (partlyby selling the subsidiary LLC "Orion") (at the exchange rate of 30 June 2016).

On 26 Auqust 2016, LLC "RSG-Finance", Group's subsidiary, placed its sixth issue of bonds, with a total par value of $46,687 (at the exchange rate of 30 June 2016) mature on 22 August 2019. The coupon rate, payable semi-annually, was set at 14.5% per annum.

On 19 Sebtember 2016 LLC "RSG-Finance" made coupon yield payment for the fourth tranche of its bonds issued in the amount of $3,492 (at the exchange rate of 30 June 2016).

In July-September 2016, the Group partially repaid its obligations under existing credit ficilities in the total amount of $49,040 (at the exchange rate at 30 June 2016).

In July-September 2016, the Group received loan in the total amount of $16,608 (at the exchange rate at 30 June 2016).

In July-September 2016, LLC "Region Stroy Invest", Group's subsidiary repurchased debt securities of the fifth issue in the number of 940,001 and furhter sold 940,000 of securities for $14,629 (at the exchange rate at 30 June 2016).

On September 2016, the Group received a loan in PJSC "Sberbank Russia" in the amount of $17,801 (at the exchange rate at 30 June 2016), under which the inventory with a carrying amount of $21,864 pledged as collateral under the loan agreement.

As at 19 September 2016 the Group has entered into the non-revolving credit line agreement with a credit limit in amount of $18,675 (at the exchange rate at 30 June 2016) for share payment in project Zhivopisnaya. No credit facilities were received by the Group as at 30 September 2016.