RSG INTERNATIONAL LIMITED

Consolidated financial statements

For the year ended 31 December 2011

Contents

General information

Board of Directors

Marios Nicolaides
Savvas Lazarides (appointed on 17 February 2012)
A.J.K Administration Services Limited (Alternate Director for Marios Nicolaides)

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 2011.

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.

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 25, Financial risk management objectives and policies.

Share capital

On 29 June 2010 and 30 June 2010, the Company issued cumulatively 3,887,450 ordinary shares of US$1 each at a premium of $99 each. Settlement was effected through contribution by shareholder Renova Stroy Holding Limited, the Group's controlling shareholder, all of the ownership interests in 17 subsidiaries.

On 23 December 2011, the Company issued additional 2,897,528 ordinary shares of $1 each at a premium of $99 each. Increase of share capital was performed by conversion of loans payable to related parties under common control in the amount of $ 290 million into share capital by shareholder Renova StroyHolding Limited.

The authorized and issued share capital of RSG International Limited as of 31 December 2011 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 27, 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
Sawas Lazarides (Cypriot) – appointed on 17 February 2012

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

Directors' report (continued)

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

Larnaca, 31 May 2012

A.J.K. Management Services Limited
Secretary

Ernst & Young Cyprus Limited
Nicosia Tower Centre
36 Byron Avenue, P.O. Box 21656
1511 Nicosia, Cyprus

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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 2011, 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 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 2011, 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 requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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.
- 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 Law of 2009 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
31 May 2012

Consolidated statement of operations

For the year ended 31 December 2011

(in thousands of US Dollars)

	Notes	Years ended 31 December 2011	2010 (Restated)
Revenues	7	364,679	460,424
Cost of sales	8	(254,996)	(369,311)
Gross profit		**109,683**	**91,113**
General and administrative expenses	8	(24,448)	(22,071)
Other operating expense	8	(60,438)	(26,795)
Other operating income	8	23,384	13,425
Change in fair value of investment property	11	45,670	78,795
Operating profit		**93,851**	**134,467**
Finance income	8	2,640	1,028
Finance expense	8	(26,846)	(24,397)
Foreign exchange gains/(losses), net		752	(2,652)
Gain from a bargain purchase	3	–	12,922
Gain on acquisition of investments in associate	5	1,691	–
Share of profits of associates	5	7,488	1,541
Profit before income tax		**79,576**	**122,909**
Income tax expense	9	(27,644)	(36,308)
Profit for the year		**51,932**	**86,601**
Attributable to:			
Equity hoders of the parent		50,693	86,601
Non-controlling interests		1,239	–

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

Consolidated statement of comprehensive income

For the year ended 31 December 2011

(in thousands of US Dollars)

	Notes	Years ended 31 December 2011	2010 (Restated)
Net profit		**51,932**	**86,601**
Other comprehensive loss			
Effect of translation to presentation currency		(30,966)	(3,039)
Share of other comprehensive income of associates accounted for using the equity method		(448)	(16)
Total other comprehensive loss, net of tax		**(31,414)**	**(3,055)**
Total comprehensive income, net of tax		**20,518**	**83,546**
Attributable to:			
Equity hoders of the parent		19,279	83,546
Non-controlling interests		1,239	–

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

Consolidated statement of financial position

At 31 December 2011

(in thousands of US Dollars)

	Notes	31 December 2011	31 December 2010 (Restated)	31 December 2009 (Restated)
Assets				
Non-current assets				
Property, plant and equipment	10	67,621	60,957	47,813
Intangible assets other than goodwill		632	1,413	1,718
Goodwill	6	10,899	11,513	11,624
Investments in associates	5	16,144	6,175	4,650
Investment properties	11	561,377	532,423	453,131
Deferred income tax assets	9	8,748	3,539	8,088
VAT recoverable		–	–	226
Interest-bearing loans receivable	13	7,417	4,600	2,739
Inventories	14	60,792	70,386	52,526
		733,630	**691,006**	**582,515**
Current assets				
Inventories	14	431,446	317,572	230,758
Trade and other receivables	15	10,975	178,219	4,409
Prepayments		8,156	6,170	9,945
Interest-bearing loans receivable	13	1,256	442	1,807
Income tax receivable		7,826	–	1,164
Other taxes recoverable	12	22,465	26,474	18,717
Cash and cash equivalents	16	41,646	36,289	17,490
		523,770	**565,166**	**284,290**
Total assets		**1,257,400**	**1,256,172**	**866,805**
Equity and liabilities				
Equity				
Issued capital	17	6,787	3,889	2
Share premium	1, 17	671,712	384,857	–
Capital contribution reserve	17	30,694	60,172	54,914
Business combination reserve	1, 17	112,009	133,907	491,377
Retained earnings		(205,709)	(256,402)	(343,003)
Foreign currency translation reserve		(26,820)	4,594	7,649
Equity attributable to equity holders of the parent		**588,673**	**331,017**	**210,939**
Non-controlling interests		14,137	–	–
Total equity		**602,810**	**331,017**	**210,939**
Non-current liabilities				
Interest-bearing loans and borrowings	18	162,013	175,029	174,640
Deferred income tax liabilities	9	111,249	109,608	81,115
Debt securities issued	19	93,179	–	–
Other liabilities		2,206	176	6,246
		368,647	**284,813**	**262,001**
Current liabilities				
Trade and other payables	20	55,549	48,229	35,317
Advances from customers	21	108,842	66,060	122,786
Interest-bearing loans and borrowings	18	95,888	508,136	222,256
Income tax payable		4,835	5,044	337
Other taxes payable		5,466	5,004	2,710
Provisions	22	15,363	7,869	10,459
		285,943	**640,342**	**393,865**
Total liabilities		**654,590**	**925,155**	**655,866**
Total equity and liabilities		**1,257,400**	**1,256,172**	**866,805**

On 31 May 2012 the Board of Directors of RSG International Limited authorised these financial statements for issue.

Marios Nicolaides ______________ Director Savvas Lazarides ______________ Director

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

Consolidated statement of cash flows

For the year ended 31 December 2011

(in thousands of US Dollars)

	Year ended 31 December 2011	*Year ended 31 December 2010 (Restated)*
Cash flows from operating activities:		
Profit before tax	79,576	122,909
Adjustments for:		
Depreciation and amortization (Note 8, 10)	2,387	2,386
Gain from bargain purchase (Note 3)	–	(12,922)
Interest income	(2,640)	(1,028)
Interest expense	10,271	18,051
Change in fair value of investment properties (Note 12)	(45,670)	(78,795)
Gain on sale of property, plant and equipment	(1,591)	(10)
Change in inventory allowance for net realizable value (Note 14)	19,659	(2,675)
Bad debt expense	756	784
Change in other provisions	(11,514)	13,690
Imputed interest on loans payable	16,575	5,577
Foreign exchange (gains)/losses	(752)	2,652
Share of profits of associates (Note 5)	(7,488)	(1,541)
Gain on acquisition of investments in associate	(1,691)	–
Operating cash flows before working capital changes	**57,878**	**69,078**
Changes in working capital:		
Decrease/(increase) in trade and other receivables	161,541	(174,919)
Increase in inventories	(154,669)	(37,054)
Increase in trade and other payables	17,315	4,656
(Increase)/decrease in prepayments	(4,761)	3,711
Increase in VAT receivable	(1,443)	(2,479)
Increase/(decrease) in advances received	58,458	(48,358)
Decrease in other taxes payable	(2,061)	(6,823)
Cash flows from / (used in) operating activities	**132,258**	**(192,188)**
Income tax paid	(31,947)	(2,991)
Interest paid	(69,445)	(25,025)
Interest reimbursed by governmental bodies	1,825	3,695
Net cash flows from / (used in) operating activities	**32,691**	**(216,509)**
Cash flows from investing activities:		
Disposal of subsidiaries, net of cash acquired (Note 4)	(16,387)	–
Purchase of property, plant and equipment	(12,642)	(16,191)
Proceeds from sale of property, plant and equipment	1,879	–
Capital expenditure on investment properties	(6,070)	(301)
Issuance of loans receivable	(5,225)	(306)
Repayment of loans receivable	490	–
Repayment of interest receivable	78	3
Net cash flows used in investing activities	**(37,877)**	**(16,795)**
Cash flows from financing activities:		
Acquisition of non-controlling interest, net of cash acquired (Note 3)	(9,000)	2
Proceeds from borrowings	459,846	492,330
Repayment of borrowings	(429,421)	(231,274)
Net cash flows from financing activities	**21,425**	**261,058**
Effect of exchange rate changes on cash and cash equivalents	(10,882)	(8,955)
Net increase in cash and cash equivalents	**5,357**	**18,799**
Cash and cash equivalents at the beginning of the period	**36,289**	**17,490**
Cash and cash equivalents at the end of the period (Note 16)	**41,646**	**36,289**

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 2011

(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 2009 (Restated)	**2**	**–**	**54,914**	**491,377**	**(343,003)**	**7,649**	**210,939**	**–**	**210,939**
Net profit for the period	–	–	–	–	86,601	–	86,601	–	86,601
Other comprehensive loss	–	–	–	–		(3,055)	(3,055)	–	(3,055)
Total comprehensive income	**–**	**–**	**–**	**–**	**86,601**	**(3,055)**	**83,546**	**–**	**83,546**
Issue of share capital (Note 1 and 17)	3,887	384,857	–	(384,857)	–	–	3,887	–	3,887
Transfer of controlling interest in subsidiaries in transactions with entities under common control (Note 3)	–	–	–	27,387	–	–	27,387	–	27,387
Discount on loans received from entities under common control (Note 18)	–	–	5,258	–	–	–	5,258	–	5,258
As at 31 December 2010 (Restated)	**3,889**	**384,857**	**60,172**	**133,907**	**(256,402)**	**4,594**	**331,017**	**–**	**331,017**
Net profit for the year	–	–	–	–	50,693	–	50,693	1,239	51,932
Other comprehensive income	–	–	–	–	–	(31,414)	(31,414)	–	(31,414)
Total comprehensive income	**–**	**–**	**–**	**–**	**50,693**	**(31,414)**	**19,279**	**1,239**	**20,518**
Issue of share capital (Note 1, 17)	2,898	286,855	(24,195)	–	–	–	265,558	–	265,558
Reversal of discount on loans received from entities under common control (Note 18)	–	–	(5,283)	–	–	–	(5,283)	–	(5,283)
Acquisition of non-controlling interest in subsidiaries (Note 3)	–	–	–	(9,000)	–	–	(9,000)	–	(9,000)
Disposal of non-controlling interest (Note 3)	–	–	–	(12,898)	–	–	(12,898)	12,898	–
As at 31 December 2011	**6,787**	**671,712**	**30,694**	**112,009**	**(205,709)**	**(26,820)**	**588,673**	**14,137**	**602,810**

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

(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 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 31 May 2012.

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

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

RSG INTERNATIONAL LIMITED was formed in June 2010 through a reorganization of entities under common control. Under the reorganization plan Renova Stroy Holding Limited (hereinafter RSH Ltd. or the “Predecessor”) the Group’s controlling shareholder contributed all of the ownership interests in its subsidiaries in exchange for 3,887,450 shares of the Company.

As the controlling interests in subsidiaries were transferred to the Group in transactions with entities under common control, these transfers of the controlling interests have been accounted for using the pooling of interests method and, as such, the financial statements have been presented as if the transfers of controlling interests in the subsidiaries had occurred at the beginning of the earliest period presented or, if later, the date of acquisition of the subsidiaries by the transferring entity.

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 operating subsidiaries, the major of which are listed in the following table:

№	*Entity*	*Country of incorporation*	*Activity*	*Effective ownership interest at 31 December 2011*	*Effective ownership interest at 31 December 2010*
1	CJSC Contractor Relations Center	Russia	Management services	100%	100%
2	LLC Renova-StroyGroup-Tower	Russia	Real estate development	100%	100%
3	LLC Garazh-S	Russia	Real estate development	100%	100%
4	CJSC Renova-StroyGroup-Akademicheskoe	Russia	Real estate development	97%	100%
5	LLC Seventeenth block	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 Stroitelny Al’yans	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 Tatlin	Russia	Rental income	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 2011 the Group reported operating cash inflow of $32,691 and net profit of $51,932. For the year ended 31 December 2010 the Group reported operating cash outflow of $216,509 and net profit of $86,601.

(in thousands of US Dollars)

1. Corporate information (continued)

Going concern (continued)

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 2011, the Group was in compliance with all of its financial covenants, except for one loan from SberBank of Russian Federation, for which the Group did not comply with as of 31 December 2011 and the related amount of loan of $311 was reclassified to current loans. The breach does not have a significant impact on Group's financial position and/or liquidity and there are no cross-default provisions with any other loans of the Group. The loan was subsequently settled by the Group in 2012 in the full amount. 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.

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 2011 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.

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2011.

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.

2.2 Standards issued but not yet effective

The Group has not applied the following standards and IFRIC Interpretations that have been issued but are not yet effective:

Standard	***Content of change***	***Effective date***
IFRS 7 (Amended) *Financial Instruments Disclosures*	Enhanced derecognition and disclosure requirements for financial assets	Effective for accounting periods beginning on or after 1 July 2011

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.2 Standards issued but not yet effective (continued)

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

Standard	***Content of change***	***Effective date***
IFRS 1 (Revised) *First-time Adoption of International Financial Reporting Standards*	The clarification of severe hyperinflation and removal of fixed dates for first-time adopters	Effective for accounting periods beginning on or after 1 July 2011
IFRS 7 (Amended) *Financial Instruments Disclosures*	The clarification of offsetting financial assets and financial liabilities	Effective for accounting periods beginning on or after 1 January 2013
IFRS 9 (Revised and amended) *Financial Instruments*	The clarification of new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition	Effective for accounting periods beginning on or after 1 January 2015
IFRS 10 (Revised) *Consolidated Financial Statements*	The clarification of definition of control	Effective for accounting periods beginning on or after 1 January 2013
IFRS 11 (Revised) *Joint Arrangements*	The clarification of accounting of joint ventures	Effective for accounting periods beginning on or after 1 January 2013
IFRS 12 (Revised) *Disclosures of Interests in Other Entities*	The clarification of disclosure of interests in other entities	Effective for accounting periods beginning on or after 1 January 2013
IFRS 13 *Fair Value Measurement*	The clarification of disclosure of Fair Value Measurement	Effective for accounting periods beginning on or after 1 January 2013
IAS 1 (Amended) *Presentation of Financial Statements*	The clarification of Presentation of Items of Other Comprehensive Income	Effective for annual periods beginning on or after 1 July 2012
IAS 12 (Amended) *Income Taxes*	Deferred tax: the clarification of recovery of underlying assets (investments, fixed assets, intangible assets)	Effective for accounting periods beginning on or after 1 January 2012
IAS 19 (Amended) *Employee Benefits*	The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording regarding treatment, measurement and disclosure of employee benefit	Effective for accounting periods beginning on or after 1 January 2013
IAS 27 *Separate Financial Statements*	The clarification of preparing of separate financial statements	Effective for annual periods beginning on or after 1 January 2013
IAS 28 (Amended) *Investments in Associates and Joint Ventures*	The clarification of disclosure of associates and joint ventures	Effective for accounting periods beginning on or after 1 January 2012
IAS 32 (Amended) *Financial Instruments: Presentation*	The clarification of Offsetting Financial Assets and Financial Liabilities	Effective for accounting periods beginning on or after 1 January 2014
IFRIC 20 *Stripping costs in the Production Phase of a Surface Mine*	The clarification of stripping costs in the Production Phase of a Surface Mine	Effective for annual periods beginning on or after 1 January 2013

The Group expects that the adoption of the pronouncements listed above will not have a significant impact on the Group's results of operations and financial position in the period of initial application and plan to adopt standards, when they be effective.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.2 Standards issued but not yet effective (continued)

Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except as follows. The adoption of standards and interpretations and it's impact on the financial position or performance of the Group is described below:

Standard	***Content of change***	***Effect***
IFRS 3 (Revised) *Business Combinations*	This improvement clarifies that the amendments to IFRS 7 *Financial Instruments: Disclosures*, IAS 32 *Financial Instruments: Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets. Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.	The changes did not have any significant effect on the Group's financial position or financial results.
IFRS 7 (Revised) *Financial Instruments: Disclosures*	Quantitative and qualitative disclosures; the nature and extent of risks associated with financial instruments.	The changes did not have any significant effect on the Group's financial position or financial results.
IAS 1 (Revised) *Presentation of Financial Statements*	Presentation of an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements	The changes did not have any significant effect on the Group's financial position or financial results.
IAS 24 (Revised) *Related Party Disclosures*	This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. The amendment is applied retrospectively.	The changes did not have any significant effect on the Group's financial position or financial results.
IAS 27 (Revised) *Consolidated and Separate Financial Statements*	Clarification of the consequential amendments from IAS 27 made to IAS 21 *The Effect of Changes in Foreign Exchange Rates*, IAS 28 Investments in Associates and IAS 31 *Interests in Joint Ventures*	The changes did not have any significant effect on the Group's financial position or financial results.
IAS 32 (Amended) *Financial Instruments: Presentation — Classification of Rights Issues*	This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is applied retrospectively	The changes did not have any significant effect on the Group's financial position or financial results.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.2 Standards issued but not yet effective (continued)

Standard	***Content of change***	***Effect***
IAS 34 (Amended) *Interim Financial Reporting*	This improvement requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.	The changes did not have any significant effect on the Group's financial position or financial results.
IFRIC 13 *Customer Loyalty Programmes*	This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	The changes did not have any significant effect on the Group's financial position or financial results
IFRIC 14 *Prepayments of a Minimum Funding Requirement*	The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendment is applied retrospectively.	The changes did not have any significant effect on the Group's financial position or financial results
IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*	This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.	The changes did not have any significant effect on the Group's financial position or financial results

2.3 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:

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 24.

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.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

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 method / 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 Subject 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.

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 cash-generating unit'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 2010 and 2011 no impairment loss was identified and recognized by the Group.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

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 cash-generating unit 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 cash-generating unit 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 fair value and, ultimately, the amount of any impairment.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis, or whenever indicators of impairment are present. This requires an estimation of the value in use of the cash-generating units 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 cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. 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 capitalised

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 and deferred tax provisions in the period in which the determination is made. More details are provided in Note 24.

Allowances

Inventory is stated at the lower of cost and net realizable value (NRV) (Note 14). NRV is assessed with reference to market conditions and prices existing at the balance sheet 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 2011 and 2010, allowance for net realizable value in respect of inventories amounted to $36,491 and $19,593, respectively (Note 14).

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 2011 and 2010, allowances for doubtful accounts in respect of accounts receivables had been made in the amount of $1,341 and $1,771 (Note 15).

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.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.4 Business combinations and goodwill

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

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

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 acquired. Any subsequent adjustments to the contingent consideration are recognized in profit and loss.

Goodwill is initially measured at cost being the excess of the consideration transferred over the subsidiary's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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 a cash-generating unit 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 cash-generating unit retained.

Where goodwill is generated by the recognition, on the acquisition of a business, of deferred tax liabilities in excess of the fair value of such liabilities, the post-tax discount rate is adjusted in order to determine the appropriate pre-tax discount rate used to determine the value in use for impairment testing purposes (Note 6). Therefore, the deferred tax liability in excess of its fair value, as determined at acquisition, is offset against the goodwill and the net amount tested to determine whether that goodwill is impaired.

To the extent that the deferred tax provision in excess of the fair value of that liability is subsequently reduced or eliminated, for example through a change in the tax circumstances of the Group, then the goodwill arising from the initial recognition of the deferred tax provision may become impaired.

Acquisition of non-controlling interest

The differences between the carrying values of net assets attributable to interests in entities acquired and the consideration given for such increases are charged or credited to business combination reserve.

Purchases of controlling interests in subsidiaries from entities under common control

Purchases 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.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.5 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. 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.

2.6 Foreign currency translation

The companies of the Group which are incorporated in the Republic of Cyprus and in foreign jurisdictions (primarily in the Russian Federation) maintain their accounting records in Russian Rubles ("Rubles") and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation and in accordance with IFRS as adopted by the European Union (EU) and the requirements of the Republic of Cyprus Companies Law, Cap.113, 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 Group determined that in 2011 the functional currency of all of it companies incorporated in the Republic of Cyprus is Russian Ruble (in the past such subsidiaries used US dollar as functional currency). The Group accounted for the change in functional currency of its companies incorporated in the Republic of Cyprus prospectively.

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 income statements 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 deferred 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.

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.

2.7 Financial instruments – Initial recognition and subsequent measurement

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.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments – Initial recognition and subsequent measurement (continued)

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 measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. 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 income statement 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 measurement, 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 intents 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.

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 thousands of US Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments – Initial recognition and subsequent measurement (continued)

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 assets 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.

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.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments – Initial recognition and subsequent measurement (continued)

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, 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.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings 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.

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.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments – Initial recognition and subsequent measurement (continued)

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 25.

2.8 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 and bank's promissory notes used as payment instrument.

2.9 Value added tax

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

Value added tax payable

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the statement of financial position date, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Value added tax recoverable

VAT recoverable arises when VAT related to purchases exceeds VAT related to sales. VAT receivable related to construction of residential property cannot be claimed for offset, thus this VAT is capitalized in the cost of such property.

2.10 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.

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.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.10 Inventories (continued)

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, which is typically in the following 12 months, and no significant delays in construction are expected. Otherwise the inventory should be classified as non-current.

2.11 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 in value. 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:

	Number of years
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 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 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. Gains and losses arising from the retirement of property, plant and equipment are included in the statement of operations as incurred.

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.

2.12 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 using straight-forward method 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 recognized in the statement of operations in the expense category consistent with the function of the intangible asset.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.12 Intangible assets (continued)

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.

2.13 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 cash-generating unit's (CGU) 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 cash-generating unit'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.

2.14 Investment property

Investment property comprises land, 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.

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.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.14 Investment property (continued)

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.

2.15 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.

2.16 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.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.16 Leases (continued)

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

2.17 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.

2.18 Equity

Share capital

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.

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.

2.19 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 made by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.19 Revenue recognition (continued)

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up.

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.

2.20 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.

2.21 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.

2.22 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.

2.23 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)

2. Significant accounting policies (continued)

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

In the process of preparation of consolidated financial statements for the year ended 31 December 2011 the Group changed its accounting policy applied to accounting for land tax assessable in relation to land plots used for construction of buildings identified and corrected certain errors related to previous periods, as well as changed presentation of certain items in the financial statements. Change in accounting policy, correction of errors and change in presentation (reclassification) were made by retrospective restatement of comparative information as of 31 December 2009 and as of 31 December 2010 and for the year ended 31 December 2010. The Group believes that new accounting policy and changed presentation provide reliable and more relevant information for the users of its financial statements as 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. Effective 1 January 2011 the Group changed its accounting policy from expensing to capitalizing land tax directly related to the development projects of the Group as it brought the accounting policy of the Group in line with industry practice. As a result inventory as of 31 December 2010 and 31 December 2009 increased by $4,155 and $2,033, respectively, and general and administrative expenses for the year ended 31 December 2010 decreased by $2,285.

b. Direct overhead expenditures that should be capitalized have been previously allocated to general and administrative expenses. As a result, the Group's general and administrative expenses were overstated and cost of inventories and cost of sales were understated for the year ended 31 December 2010 and 31 December 2009.

c. As of 31 December 2010 and 31 December 2009 the Group overstated the net realizable value of its inventory for one of Group's project. As a result, the inventory was overstated as of 31 December 2010 and 31 December 2009, cost of sales was overstated and other operating expense was understated for the year ended 31 December 2010.

d. In 2010, the Group classified two land plots as inventory whereas they met definition of investment property and classified certain items of property, plant and equipment as investment property. As a result inventory was overstated and investment property and property, plant and equipment were understated as of 31 December 2010 and change in the fair value of investment property was understated for the year ended 31 December 2010. In 2009, certain items of inventory and investment property were recorded as property, plant and equipment which resulted in overstatement of property, plant and equipment and understatement of inventory and investment property as of 31 December 2009.

e. In 2010 and 2009 certain revenues were recognized in the next reporting periods, which resulted in an understatement of revenues and costs of sales for the years ended 31 December 2010 and 31 December 2009, and an overstatement of inventory and advances received from customers as of 31 December 2010, and 31 December 2009. Certain other expenses related to the year 2009 were recognized in next reporting period, which resulted in the understatement of trade and other payables as of 31 December 2009.

f. In 2010 and 2009 certain mathematical mistakes have occurred in the calculations of capital contribution reserve which resulted in overstatement of capital contribution as of 31 December 2010 and 2009 and understatement of finance cost for the years ended 31 December 2010 and 2009.

g. In 2010 and 2009 the Group recorded in the consolidated statement of operations other operating income and forex gain of certain offshore subsidiaries that relates to 2008. As a result other operting income and forex gain for the year ended 31 December 2010 and 2009 were overstated.

h. As of 31 December 2010 and 2009 the Group did not recognize certain provision for income tax related to the uncertain tax positions (Note 24) which resulted in understatement of provisions for income tax as of 31 December 2010 and 2009 and income tax expenses for the year ended 31 December 2010.

i. In 2009 the Group did not recognize discount on certain loans at below market rates from parties under common control which resulted in overstatement of the non-current Interest-bearing loans and borrowings and understatement of Capital contribution reserve as of 31 December 2010 and 2009. In 2009 certain current Interest-bearing loans and borrowings were classified as non-current, as a result non-current Interest-bearing loans and borrowings were overstated and current Interest-bearing loans and borrowings were understated as of 31 December 2009.

j. As of 31 December 2010 and 2009 the Group did not recognize certain tax liabilities which resulted in understatement of income tax payable and other tax payable as of 31 December 2010 and 2009 and income tax expense for the year ended 31 December 2010 and 2009. Certain income tax payable was netted with taxes recoverable; however they should be presented gross. As a result, income tax payable and other taxes recoverable were understated as of 31 December 2010.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.24 Changes in accounting policy, corrections of errors and reclassifications of comparative information (continued)

k. As of 31 December 2010 certain advances received from customers were classified as other accounts payable. As a result, the advances received from customers were understated and trade and other payables were overstated as of 31 December 2010. In 2009 and 2010 certain advances received from customers were recognized by the Group as other operating income. As a result advances received from customers were understated as of 31 December 2010 and 2009 and other operating income was overstated for the years ended 31 December 2010 and 2009.

l. As of 31 December 2010 and 2009 certain recoverable VAT was written off to other operating expenses as irrecoverable which resulted in understatement of other taxes recoverable as of 31 December 2010 and 2009 and overstatement of other operating expenses for the year ended 31 December 2010.

m. As of 31 December 2010 the Group classified certain long-term loans receivable as short-term. This resulted in overstatement of short-term Interest-bearing loans receivable line item and understatement of long-term interest-bearing loans receivable line item. In 2009 certain long-term payables were classified as short-term, which resulted in overstatement of short-term trade and other payables and understatement of non-current other liabilities as of 31 December 2009.

n. Before 2011 the Group classified property tax in general and administrative expenses. From 2011 the Group presents such costs under other operating expenses caption. Comparative information for 2010 was reclassified accordingly. For the year ended 31 December 2010 some finance costs were incorrectly classified as administrative expenses which resulted in the understatement of finance costs and overstatement of general and administrative expenses.

o. In 2009 certain mathematical mistake has occurred in the calculations of investment in associate which resulted in understatement of investment in associate and translation difference as of 31 December 2009.

p. Due to corrections mentioned above deferred income tax, income tax expense, retained earnings, equity attributable to equity holders of the parent and translation differences balances of the Group as of 31 December 2010 and 2009 were also corrected by the Group.

The effect of adjustments on comparative information is summarized below.

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.24 Changes in accounting policy, corrections of errors and reclassifications of comparative information (continued)

The comparative figures included in previously issued consolidated financial statements of the Group for the year ended 31 December 2010 authorized for issue on 27 May 2011 have been restated as follows:

		As of 31 December 2010 as previously reported	*Corrections*	*As of 31 December 2010 as restated*
Consolidated statement of financial position				
Assets				
Non-current assets				
Property, plant and equipment	d	54,122	6,835	60,957
Intagible assets		1,413	–	1,413
Goodwill		11,513	–	11,513
Investments in associates		6,175	–	6,175
Investment properties	d	527,490	4,933	532,423
Defered tax asset	p	10,576	(7,037)	3,539
VAT recoverable		233	(233)	–
Interest-bearing loans receivable	m	486	4,114	4,600
Inventories	a, d	68,964	1,422	70,386
		680,972	**10,034**	**691,006**
Current assets				
Inventories	b, a, c, d, e	333,336	(15,764)	317,572
Trade and other recievables		178,108	111	178,219
Prepayments		6,170	–	6,170
Interest-bearing loans receivable	m	5,047	(4,605)	442
Other taxes recoverable	l, j	24,217	2,257	26,474
Cash and cash equivalents		36,289	–	36,289
		583,167	**(18,001)**	**565,166**
Total assets		**1,264,139**	**(7,967)**	**1,256,172**
Equity & liabilities				
Equity attributable to equity holders of the parent				
Issued capital		3,888	1	3,889
Share premium		384,857	–	384,857
Capital Contribution	f, i	68,769	(8,597)	60,172
Business combination reserve		133,907	–	133,907
Retained earnings	p	(235,823)	(20,579)	(256,402)
Translation differences	p	(17,152)	21,746	4,594
Equity attributable to equity holders of the parent		338,446	(7,429)	331,017
Total non-controlling interest		–	–	–
Total equity		**338,446**	**(7,429)**	**331,017**
Non-current liabilities				
Interest-bearing loans and borrowings	i, n	178,547	(3,518)	175,029
Deferred income tax liabilities	p	112,754	(3,146)	109,608
Other liabilities		5	171	176
Advances received		–	–	–
		291,306	**(6,493)**	**284,813**
Current liabilities				
Trade and other payables	k	59,693	(11,464)	48,229
Advances from customers	k, e	53,772	12,288	66,060
Interest-bearing loans and borrowings	i	508,108	28	508,136
Income tax payable	j	4,039	1,005	5,044
Other tax payable	j	2,702	2,302	5,004
Provisions	h	6,073	1,796	7,869
		634,387	**5,955**	**640,342**
Total liabilities		**925,693**	**(538)**	**925,155**
Total equity and liabilities		**1,264,139**	**(7,967)**	**1,256,172**

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.24 Changes in accounting policy, corrections of errors and reclassifications of comparative information (continued)

		For the year ended 31 December 2010 as previously reported	*Corrections*	*For the year ended 31 December 2010 as restated*
Consolidated statement of operations				
Revenue	e	456,476	3,948	460,424
Cost of sales	b, a, c, e	(356,883)	(12,428)	(369,311)
Gross profit		**99,593**	**(8,480)**	**91,113**
General and administrative expenses	b, n, a	(49,738)	27,667	(22,071)
Change in fair value of investment property	d	76,226	2,569	78,795
Other operating income/(expenses), net		2,746	(2,746)	–
Other operating expenses	c, n, l	–	(26,795)	(26,795)
Other operating income	g	–	13,425	13,425
Operating profit		128,827	5,640	134,467
Finance income		1,278	(250)	1,028
Finance costs	n, f	(28,273)	3,876	(24,397)
Foreign exchange gain/(losses), net	g	772	(3,424)	(2,652)
Negative goodwill		12,922	–	12,922
Share of profits of associates		1,540	1	1,541
Impairment of goodwill		–	–	–
Profit before income tax		**117,066**	**5,843**	**122,909**
Income tax expense	h, j	(28,401)	(7,907)	(36,308)
Net profit for the period		**88,665**	**(2,064)**	**86,601**

(in thousands of US Dollars)

2. Significant accounting policies (continued)

2.24 Changes in accounting policy, corrections of errors and reclassifications of comparative information (continued)

The comparative figures included in previously issued consolidated financial statements of the Group for the year ended 31 December 2009 authorized for issue on 21 May 2010 have been restated as follows:

		As of 31 December 2009 as previously reported	*Corrections*	*As of 31 December 2009 as restated*
Consolidated financial statements				
Assets				
Non-current assets				
Property, plant and equipment	d	54,666	(6,853)	47,813
Intagible assets		1,579	139	1,718
Goodwill		11,624	–	11,624
Investments in associates	o	3,866	784	4,650
Investment properties	d	448,998	4,133	453,131
Defered tax asset	p	7,253	835	8,088
VAT recoverable		226	–	226
Interest-bearing loans receivable		2,739	–	2,739
Inventories	a, d	31,643	20,883	52,526
		562,594	**19,921**	**582,515**
Current assets				
Inventories	b, a, c, d, e	267,573	(36,815)	230,758
Trade and other recievables		4,409	–	4,409
Prepayments		9,939	6	9,945
Interest-bearing loans receivable		1,807	–	1,807
Income tax receivable		1,164	–	1,164
Other taxes recoverable	l	15,930	2,787	18,717
Cash and cash equivalents		17,490	–	17,490
		318,312	**(34,022)**	**284,290**
Total assets		**880,906**	**(14,101)**	**866,805**
Equity & liabilities				
Equity attributable to equity holders of the parent				
Issued capital		2	–	2
Share premium		–	–	–
Capital contribution	f, i	58,098	(3,184)	54,914
Business combination reserve		491,377	–	491,377
Retained earnings	p	(324,488)	(18,515)	(343,003)
Translation differences	o, p	9,762	(2,113)	7,649
Equity attributable to equity holders of the parent		**234,751**	**(23,812)**	**210,939**
Total non-controlling interest		–	–	–
Total equity		**234,751**	**(23,812)**	**210,939**
Non-current liabilities				
Interest-bearing loans and borrowings	i	181,522	(6,882)	174,640
Deferred income tax liabilities	p	79,878	1,237	81,115
Other liabilities	m	42	6,204	6,246
Advances received		–	–	–
		261,442	**559**	**262,001**
Current liabilities				
Income taxes payable		439	(102)	337
Trade and other payables	m, e	32,805	2,512	35,317
Advances from customers	e, k	118,604	4,182	122,786
Interest-bearing loans and borrowings	i	221,185	1,071	222,256
Other taxes payable	j	1,729	981	2,710
Provisions	h	9,951	508	10,459
		384,713	**9,152**	**393,865**
Total liabilities		**646,155**	**9,711**	**655,866**
Total equity and liabilities		**880,906**	**(14,101)**	**866,805**

(in thousands of US Dollars)

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

LLC “Uralskaya Companiya Razvitiya” (“UCR”)

In March 2008, the Predecessor issued loan to Nordic Vidi Limited (“Nordic”) secured by 100% of ordinary shares of Hyeonta Technologies Limited (the Republic of Cyprus) (“Hyeonta”). On 13 May 2010, the shares of Hyeonta were transferred in full settlement of the loan issued to Nordic. The total amount of principal and interest outstanding under the loan agreement was $27,388 at the date of the shares transfer.

Under the terms of settlement agreement, Nordic transferred 100% ownership interest in Hyeonta together with its wholly owned subsidiary UCR. UCR holds 8 land plots in the Ural region of the Russian Federation. The main activity of UCR is the construction of residential properties. As a result, consolidated financial position and the consolidated results of operations of Hyeonta and UCR were included in the Group’s consolidated financial statements from 13 May 2010.

The table below sets forth the fair values of UCR identifiable assets and liabilities at the date of acquisition:

	As at 13 May 2010
Investment properties	2,409
Inventories	48,821
Cash	2
Deferred tax liabilities	(10,140)
Trade and other payables	(12)
Net assets	**41,080**
Consideration paid by the Predecessor	27,388
Purchase consideration	770
Gain from a bargain purchase	**12,922**

Cash flow on the acquisition was as follows:

Net cash acquired with the subsidiary	2
Cash paid	–
Net cash inflow	**2**

Purchase consideration in the amount of $770 represented the amounts due to the acquired company by the Group at the date of the acquisition.

Land plots owned by UCR are situated near Academic City housing area. The Group is the main real estate and land market player at the territories near Academic City and the Group controls main infrastructure objects of Academic City which are required for successful development of the project at the territory owned by UCR. As a result the Group had bargain power at purchase of UCR.

Fair value of net assets was estimated by independent valuer. The excess of the net assets acquired over the cost of acquisition was $12,922. The gain from the bargain purchase of $12,922 was recognized in the statement of operations.

For the period from 13 May to 31 December 2010 Hyeonta and UCR incurred net loss of $74 and revenues of $nil.

Acquisition and disposal of non-controlling interest in a subsidiary

On 31 March 2011, the Group sold 3% of its ordinary shares in RSG-Akademicheskoe Limited, the holding company for the “Academic City” project (disclosed in Note 26). RSG-Akademicheskoe Limited is the parent company of CJSC Renova-StroyGroup-Akademicheskoe, which represented approximately 63% of the consolidated assets of the Group as at 31 December 2011 and 54% of the consolidated revenues of the Group for 2011 year ended 31 December 2011. The book value of the net assets of CJSC Renova-StroyGroup-Akademicheskoe was $486,897 as of 31 March 2011. The carrying value of non-controlling interest at transaction date was in the amount of $12,898. This change in ownership interest did not result in a loss of control. The effect of changes in non-controlling interest was accounted for as the Group’s equity transaction.

In December 2011 the Group acquired an additional 35% interest in share capital of LLC Enco-Invest, increasing its ownership interest up to 100%. A cash considiration of $9,000 was paid to the non-controlling interest shareholders (third party).The carrying value of non-controlling interest was nil as of the date of the transaction.

(in thousands of US Dollars)

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

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 subsidiary

Blosscrown Investments Ltd and Top-Project LLC

On 12 December 2011, the Group sold to a related party, Kateb Holding S.A, 100% shares of the authorized and issued capital of Blosscrown Investments Ltd with it's subsidiary Top-Project LLC which main activity was construction of commercial premises.

The table below sets the fair values of Blosscrown Investments Ltd and Top-Project LLC identifiable assets and liabilities at the date of disposal:

	As at 12 December 2011
Property, plant and equipment	132
Inventory	13,080
Trade and other receivables	9,978
VAT recoverable	1,314
Cash	16,387
Interest-bearing loans and borrowings	(53,030)
Deferred tax liabilities	(584)
Trade and other payables	(82)
Provisions	(573)
Net assets	**(13,378)**
Cash consideration	1
Loans payable due to Top-Project LLC	15,530
Pre-tax Loss on disposal of subsidiaries	2,153

At the date of disposal the net assets of Top-Project LLC included loans receivable due from the Group in the amount of 15,530.

5. Investment in associates

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

ZHSPK "Akademichesky"

Main asset of ZHSPK "Akademichesky" ("ZHSPK") is a land plot with fair value of $30,660 as of 31 December 2011 (as of 31 December 2010: $29,116). This associate's net assets as of 31 December 2011 amounted to $31,714 (as of 31 December 2010: $30,141).

In 2011 the Group acquired additional 10% shares of ZHSPK "Akademichesky" which resulted in an increase in the voting rights up to 25.6% and interest in profits of the associate up to 46.25%.

The consideration transferred by the Group comprised of $61 and land plots with the total carrying value of $1,238. The Group recognized gain on the transaction in the total amount of $1,691 which represented an excess of the fair value of acquired share in the net assets of ZHSPK "Akademichsky" over the total carrying value of the transferred land plots.

(in thousands of US Dollars)

5. Investment in associates (continued)

The table below sets forth ZHSPK's income and expenses from the date of acquisition of interest in the associate:

	The year ended 31 December 2011	*The year ended 31 December 2010*
Change in fair value of investment property	3,395	4,477
Rent expenses	–	(20)
Net profit	**3,395**	**4,457**
Group's share of profit of the associate	**1,491**	**1,615**

The table below sets forth ZHSPK's assets and liabilities as of 31 December 2011 and 31 December 2010:

	As of 31 December 2011	*As of 31 December 2010*
Total assets	31,811	30,249
Total liabilities	(97)	(108)
Net assets	**31,714**	**30,141**

The movement in investments in the associate was as follows:

	ZHSPK
Investment at 1 January 2010	**4,250**
Share of profit	1,615
Translation difference	(13)
Investment at 31 December 2010	**5,852**
Additional investments	2,929
Share of profit	1,491
Translation difference	(10)
Investment at 31 December 2011	**10,262**

CJSC "Sverdlovskoe"

In 2009, the Group acquired 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. Cash consideration amounted to $448. The Group has significant influence over CJSC "Sverdlovskoe" due to the interest held coupled with the loan issued of $5 million as at 31 December 2011 ($3 million on the date of acquisition) (Note 13).

The table below sets forth income and expenses of CJSC "Sverdlovskoe" from the date of acquisition of interest in the associate:

	Year ended 31 December 2011	*Year ended 31 December 2010*
Operating loss	(1)	(34)
Finance expenses	(1,025)	(991)
Finance income	–	252
Change in fair value of non-current assets	57,968	–
Other income, net of expenses	3,273	33
Net profit/(loss)	**60,215**	**(740)**
Group's share of profit/(loss) of the associate	**5,997**	**(74)**

(in thousands of US Dollars)

5. Investment in associates (continued)

The table below sets forth CJSC "Sverdlovskoe"'s assets and liabilities as of 31 December 2011 and 2010:

	As of 31 December 2011	*As of 31 December 2010*
Total assets	62,410	7,520
Total liabilities	(6,756)	(6,887)
Net assets	**55,654**	**633**

The movement in investments in the associate was as follows:

Investment at 1 January 2010	400
Share of loss	(74)
Translation difference	(3)
Investment at 31 December 2010	**323**
Share of profit	5,997
Translation difference	(438)
Investment at 31 December 2011	**5,882**

6. Goodwill

The table below presents movement in the carrying amount of goodwill.

	Gross amount	*Impairment losses/ translation differences*	*Carrying amount*
At 31 December 2009	**16,358**	**(4,734)**	**11,624**
Translation differences	(148)	37	(111)
At 31 December 2010	**16,210**	**(4,697)**	**11,513**
Translation differences	(866)	252	(614)
At 31 December 2011	**15,344**	**(4,445)**	**10,899**

Goodwill was tested for impairment as of 30 June 2011 and 30 June 2010. As of 31 December 2011 and 31 December 2010 the Group did not identify any indicators that could lead to impairment of goodwill.

For the purpose of impairment testing as of 30 June 2011 and 30 June 2010 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.

	Period of expected use, years	*Period of forecast, years*	*Pre-tax discount rate, %*	*Commodity*	*Average price per m^2 (thousands of rubles)*
LLC "Tatlin" as at 30 June 2011	17.5	5	21	Rental income	6.7
LLC "Tatlin" as at 30 June 2010	18.5	5	22	Rental income	6.7
CJSC "Renova-StroyGroup-Krasnodar" as at 30 June 2011	2.5-7.5	5	11-12	Investment property	40.4-84.7
CJSC "Renova-StroyGroup-Krasnodar" as at 30 June 2010	3.5-8.5	5	20	Investment property	45.2-87.7

(in thousands of US Dollars)

7. Revenues

Revenues include the following:

	For the years ended 31 December	
	2011	***2010 (Restated)***
Sale of inventory properties	347,881	448,294
Rental income	2,971	2,059
Other revenue	13,827	10,071
	364,679	**460,424**

In the sales of residential property for the years ended 31 December 2011 and 2010 was included imputed interest on advances received from individuals in the amount of $8,014 and $25,731, respectively.

8. Income and expenses

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

	For the years ended 31 December	
	2011	***2010 (Restated)***
Staff costs, including social security taxes	11,359	13,262
Depreciation and amortization	2,387	2,386

Cost of sales

In the cost of sales of residential property for the years ended 31 December 2011 and 2010 was included imputed interest on advances received from individuals in the amount of $8,014 and $25,731, respectively.

General and administrative expenses

The structure of general and administrative expenses was the following:

	For the years ended 31 December	
	2011	***2010 (Restated)***
Payroll	11,392	10,529
Audit fees – current year statutory audit	1,347	1,177
Security	1,016	848
Depreciation of property, plant and equipment	577	604
Telecommunication	526	205
Rent	388	461
Consulting	355	342
Amortization of intangible assets	35	202
Taxes	35	731
Tax services	3	3
Other professional services fees	3,309	2,904
Other	5,465	4,065
	24,448	**22,071**

Finance income

The components of finance income were as follows:

	For the years ended 31 December	
	2011	***2010 (Restated)***
Interest on loans receivable	2,344	1,002
Interest on bank accounts	198	26
Other finance income	98	–
	2,640	**1,028**

Finance expense

Finance expense consists of interest on debt securities issued and interest-bearing loans and borrowings.

(in thousands of US Dollars)

8. Income and expenses (continued)

Other operating income

The components of other operating income were as follows:

	For the years ended 31 December	
	2011	***2010 (Restated)***
Restore of loans written-off	20,097	338
Decrease in the allowance for net realizable value of inventories	–	2,675
Other income	3,287	10,412
	23,384	**13,425**

Other operating expenses

The components of other operating expenses were as follows:

	For the years ended 31 December	
	2011	***2010 (Restated)***
Commercial expenses	24,199	7,787
Increase in the allowance for net realizable value of inventories	19,659	–
Other taxes (excluding income tax)	5,513	3,111
Loss on disposal of subsidiary	2,153	–
Penalty fees accruals	975	247
Loss from write-off of loans receivable	–	10,932
Other expenses	7,939	4,718
	60,438	**26,795**

9. Income tax

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

	2011	***2010 (Restated)***
The Russian Federation	20.00%	20.00%
The Republic of Cyprus	10.00%	10.00%

Major components of income tax expense for the years ended 31 December 2011 and 2010 were as follows:

	2011	***2010 (Restated)***
Income tax expense – current	24,320	9,631
Deferred tax expense – origination and reversal of temporary differences	3,324	26,677
Income tax expense	**27,644**	**36,308**

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

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:

	2011	***2010 (Restated)***
Profit before income tax	**79,576**	**122,909**
At the Russian statutory income tax rate of 20%	(16,025)	(24,582)
Effect of non-deductible expenses	(15,713)	(7,738)
Effect of income exempt from tax	5,062	334
Effect of the difference in tax rates in countries other than the Russian Federation	(1,676)	(4,662)
Change in unrecognized deferred tax asset	708	340
Income tax expense	**(27,644)**	**(36,308)**

(in thousands of US Dollars)

9. Income tax (continued)

Deferred income tax assets and liabilities and their movements during the year ended 31 December 2011 were as follows:

	31 December 2011	*Change recognized in the consolidated statement of operations*	*Disposal of companies*	*Translation difference*	*31 December 2010 (Restated)*
Deferred income tax assets:					
Property, plant and equipment	3,145	1,833	(102)	(406)	1,820
Investment property	102	112	–	(10)	–
Inventory	20,019	1,619	–	(1,187)	19,587
Accounts receivable and loans	2,930	2,400	–	(251)	781
Accounts payable and accruals	1,773	1,162	(115)	(155)	881
Tax losses available for offset	9,953	2,590	(551)	(685)	8,599
Other	410	178	(3)	(30)	265
	38,332	**9,894**	**(771)**	**(2,724)**	**31,933**
Deferred income tax liabilities:					
Property, plant and equipment	(911)	(495)	–	67	(483)
Investment property	(106,541)	(12,099)	–	6,443	(100,885)
Inventory	(20,012)	(12,915)	1,211	2,239	(10,547)
Accounts receivable and loans	(74)	18,074	–	(642)	(17,506)
Accounts payable and accruals	(6,597)	(3,080)	–	483	(4,000)
Investments in associate	(2,215)	(1,989)	–	47	(273)
Other	(4,483)	(714)	–	539	(4,308)
	(140,833)	**(13,218)**	**1,211**	**9,176**	**(138,002)**
Total deferred income tax liability	**(102,501)**	**(3,324)**	**440**	**6,452**	**(106,069)**
Represented by the following:					
Net deferred income tax assets	**8,748**	**4,326**	**440**	**443**	**3,539**
Net deferred income tax liabilities	**(111,249)**	**(7,650)**	–	**6,009**	**(109,608)**

Deferred income tax assets and liabilities and their movements during the year ended 31 December 2010 were as follows:

	31 December 2010 (Restated)	*Change recognized in statement of operations*	*Acquisitions of new companies*	*Translation difference*	*31 December 2009 (Restated)*
Deferred income tax assets:					
Property, plant and equipment	1,820	166	–	(46)	1,700
Investment property	–	(347)	–	(1)	348
Inventory	19,587	14,752	–	(90)	4,925
Accounts receivable and loans	781	(2,027)	–	(15)	2,823
Accounts payable and accruals	881	(831)	–	39	1,673
Investments in associate	–	(511)	–	(2)	513
Tax losses available for offset	8,599	2,620	65	(16)	5,930
Other	265	(795)	–	(46)	1,106
	31,933	**13,027**	**65**	**(177)**	**19,018**
Deferred income tax liabilities:					
Property, plant and equipment	(483)	(204)	–	3	(282)
Investment property	(100,885)	(19,234)	(484)	677	(81,844)
Inventory	(10,547)	313	(9,721)	754	(1,893)
Accounts receivable and loans	(17,506)	(17,545)	–	62	(23)
Accounts payable and accruals	(4,000)	(2,398)	–	21	(1,623)
Investments in associate	(273)	(308)	–	490	(455)
Other	(4,308)	(328)	–	1,945	(5,925)
	(138,002)	**(39,704)**	**(10,205)**	**3,952**	**(92,045)**
Total deferred income tax (liability)/ asset	**(106,069)**	**(26,677)**	**(10,140)**	**3,775**	**(73,027)**
Represented by the following:					
Net deferred income tax assets	**3,539**	**(4,488)**	**–**	**(61)**	**8,088**
Net deferred income tax liabilities	**(109,608)**	**(22,189)**	**(10,140)**	**3,836**	**(81,115)**

(in thousands of US Dollars)

9. Income tax (continued)

As of 31 December 2011 and 31 December 2010 unused tax loss carry forward for which deferred tax assets were recognized approximated $49,767 and $42,995, respectively. Deferred tax assets in the amount of $4,490 (31 December 2010: $5,426) 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 relizability 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 $377,342 and $378,952 as of 31 December 2011 and 31 December 2010, respectively, were associated with investments in subsidiaries. At 31 December 2011 and 31 December 2010 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 15% Special Contribution for the Defence Fund of the Republic, i.e. 'Defence Tax' (generally on a withholding basis). The rate of Defence Tax has been increased to 17% as of 31 August 2011.

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

10. Property, plant and equipment

Property, plant and equipment consisted of the following:

	Land	*Buildings*	*Fittings and fixtures*	*Leasehold improvements and other quipment*	*Assets under construction*	*Total*
Cost						
At 31 December 2009 (Restated)	**–**	**7,188**	**11,424**	**2,684**	**27,880**	**49,176**
Additions	–	–	–	–	12,041	**12,041**
Disposals	–	–	–	(77)	(33)	**(110)**
Transfers	1,215	431	32,527	159	(34,332)	**–**
Transfer from inventory	–	329	–	237	272	**838**
Transfer from investment property	2,960	–	–	–	–	**2,960**
Translation difference	(15)	(59)	(203)	(22)	(134)	**(433)**
At 31 December 2010 (Restated)	**4,160**	**7,889**	**43,748**	**2,981**	**5,694**	**64,472**
Additions	–	–	–	–	15,535	**15,535**
Disposals	–	(6,185)	(1,758)	(149)	–	**(8,092)**
Transfers	–	319	5,946	813	(7,078)	**–**
Transfer from/(to) inventory	–	688	3,985	(50)	–	**4,623**
Transfer from/(to) investment property	727	(230)	–	–	–	**497**
Translation differences	(281)	42	(3,049)	(216)	(1,042)	**(4,546)**
At 31 December 2011	**4,606**	**2,523**	**48,872**	**3,379**	**13,109**	**72,489**
Accumulated depreciation						
At 31 December 2009 (Restated)	**–**	**(439)**	**(85)**	**(839)**	**–**	**(1,363)**
Depreciation charge for the year	–	(206)	(1,412)	(566)	–	**(2,184)**
Disposals	–	–	43	55	–	**98**
Translation difference	–	4	(78)	8	–	**(66)**
At 31 December 2010 (Restated)	**–**	**(641)**	**(1,532)**	**(1,342)**	**–**	**(3,515)**
Depreciation charge for the year	–	(190)	(1,549)	(613)	–	**(2,352)**
Disposals	–	564	86	48	–	**698**
Translation differences	–	50	130	121	–	**301**
At 31 December 2011	**–**	**(217)**	**(2,865)**	**(1,786)**	**–**	**(4,868)**
Net book value						
At 31 December 2011	**4,606**	**2,306**	**46,007**	**1,593**	**13,109**	**67,621**
At 31 December 2010 (Restated)	**4,160**	**7,248**	**42,216**	**1,639**	**5,694**	**60,957**

(in thousands of US Dollars)

10. Property, plant and equipment (continued)

On 16 September 2008, the Group acquired 100% of ordinary shares of LLC "Altavir" ("Altavir"). This purchase did not qualify for a business combination as the acquired company does not constitute a business. The company's assets comprised only office building located in Moscow. This building was purchased for $7,000 with the purpose to use it for administrative purposes. Accounts payables for the purchase remained unpaid. On 7 June 2011 the Group terminated contract on Altavir's acquisition, derecognized the related accounts payable and carrying valuef of Altavir's building in the amount of of $5,008. The Group recognised gain on disposal of the asset in the amount of $2,187 as a part of other operating income.

Interest capitalized net of the interest reimbursed by the governmental bodies as part of additions to property, plant and equipment during 2011 amounted to $608 (2010: $496). Interest expense reimbursed by the governmental bodies and credited to additions during 2011 amounted to $1,824 (2010: $1,450). The weighted average rate used to determine the amount of borrowing costs eligible for capitalization for the year ended 31 December 2011 equials to 11.28% (2010: 12.88%).

11. Investment property

Investment properties consist of the following:

	2011	*2010 (Restated)*
Opening balance at 1 January	**532,423**	**453,131**
Additions (acquisitions)	–	2,409
Additions (subsequent expenditure)	17,395	4,508
Transfer from inventory	310	293
Transfer to property, plant and equipment	(497)	(2,960)
Translation differences	(33,924)	(3,753)
Increase in fair value of investment property	45,670	78,795
Closing balance at 31 December	**561,377**	**532,423**

During the years ended 31 December 2011 and 2010, 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.

Interest capitalized as part of subsequent expenditure to investment properties amounted to $2,919 and $2,697 for the years ended 31 December 2011 and 2010, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization in 2011 year was 11.48%. (2010: 12.88%)

In 2011, the Group had income from rent of investment property of $1,398 (2010: $1,028) and direct operating expenses arising from investment property that generated rental income of $585 (2011: $411).

12. VAT recoverable

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 $21,651 as at 31 December 2011 (2010: $25,312) is fully recoverable during 12 months following the respective balance sheet date. At 31 December 2011 and 2010, VAT recoverable balance was denominated in rubles.

(in thousands of US Dollars)

13. Loans receivable

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

	31 December 2011	*31 December 2010 (Restated)*	*31 December 2009 (Restated)*
Long-term loans receivable			
Loans receivable from third parties	4	–	490
Loans receivable from related parties (Note 23)	7,413	4,600	2,249
Total long-term loans receivable	**7,417**	**4,600**	**2,739**
Short-term loans receivable			
Loans receivable from third parties	25	400	443
Loans receivable from related parties (Note 23)	1,231	42	1,364
Total short-term loans receivable	**1,256**	**442**	**1,807**

Long-term loan receivable of $5,079 (2010: $4,453) as at 31 December 2011 represents amounts relating to an loan given to CJSC "Sverdlovskoe" (the Group's associate).

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

	Short-term loans receivable		***Long-term loans receivable***	
	2011	***2010***	***2011***	***2010***
Related parties	3-5%	5-35%	3-35%	11-35%

Loans receivable were denominated in rubles as at 31 December 2011 and 2010.

14. Inventories

Inventories consisted of the following as of:

	31 December 2011	*31 December 2010 (Restated)*	*31 December 2009 (Restated)*
Inventory properties under construction:			
- at cost	349,198	241,923	186,231
- at net realizable value, net of allowance	12,282	16,573	–
Constructed inventory properties:			
- at cost	109,031	121,118	77,088
- at net realizable value, net of allowance	20,954	7,862	19,829
Other inventories, at cost	773	482	136
	492,238	**387,958**	**283,284**
Including:			
- Current	431,446	317,572	230,758
- Non-current	60,792	70,386	52,526
Allowance for net realizable value	36,491	19,593	22,429

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 2011 and 31 December 2010 was $3,662 and $10,823 respectively.

(in thousands of US Dollars)

14. Inventories (continued)

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

	2011	*2010 (Restated)*
Opening balance at 1 January	**387,958**	**283,284**
Construction costs incurred	384,789	440,057
Interest capitalized	26,912	21,041
Transfer to investment property	(310)	(293)
Transfer to property, plant and equipment	(4,623)	(838)
Changes in the allowance for net realizable value	(19,659)	2,675
Disposals (recognized in cost of sales)	(237,136)	(355,428)
Disposals of subsidiary (Top-Project LLC)	(13,019)	–
Translation differences	(32,674)	(2,540)
Closing balance at 31 December	**492,238**	**387,958**

15. Trade and other receivables

Trade and other receivables consisted of the following as at:

	31 December 2011	*31 December 2010 (Restated)*	*31 December 2009 (Restated)*
Trade receivables	4,897	170,401	2,391
Trade receivables from related parties (Note 23)	3,996	2,103	1,053
Other receivables	3,015	7,428	1,995
Other receivables from related parties (Note 23)	408	58	31
Allowance for irrecoverable amounts	(1,341)	(1,771)	(1,061)
	10,975	**178,219**	**4,409**

Ageing analysis is provided in Note 25.

At 31 December 2011, $562 of trade and other receivables were denominated in US Dollars, $10,410 were denominated in rubles (31 December 2010: $631 and $177,586; 31 December 2009: $382 and $4,027).

16. Cash and cash equivalents

Cash and cash equivalents, mainly consisting of cash at banks, were the following as of:

	31 December 2011	*31 December 2010*
Cash	40,617	34,570
Cash equivalents	1,029	940
Restricted cash	–	779
Total	**41,646**	**36,289**

Cash equivalents include promissory notes of OJSC “Metcombank”, a related party of the Group.

At 31 December 2011, $26,129 of cash and cash equivalents were held in OJSC “Metcombank” (related party) (2010: $17,892 и 2009: $15,652).

Cash and cash equivalents were denominated in the following currencies:

	31 December 2011	*31 December 2010*
Rubles	41,458	36,170
US Dollars	188	119
Total	**41,646**	**36,289**

(in thousands of US Dollars)

17. Equity

Total number of outstanding shares comprised:

Authorised, issued	***Number of shares***	***Share capital***
At 31 December 2009	**1,000**	**2**
Conversion of 1,000 ordinary shares with a par value of 1 Euro into 1,227 ordinary shares with a par value of 1 US Dollar each	227	–
Issue of 3,887,450 ordinary shares with a par value of 1 US Dollar each (Note 1)	3,887,450	3,887
At 31 December 2010	**3,888,677**	**3,889**
Issue of 3,887,450 ordinary shares with a par value of 1 US Dollar each (Note 1)	2,897,528	2,898
At 31 December 2011	**6,786,205**	**6,787**

On 29 June 2010, the Company converted its 1,000 EURO share capital into 1,227 shares denominated in US Dollars with par value of $1 each. The Company then issued 3,887,450 additional ordinary shares with a par value of $1 each at a premium of $99 each per share to the existing shareholder, Renova Stroy Holding Limited, in exchange for the contribution of 100% of the effective ownership interest in 17 subsidiaries (Note 1).

On 23 December 2011 the Company issued a resolution to increase its share capital from 3,888,677 shares to 6,786,205 ordinary shares with a par value of $1 each at a premium of $99 each to existing shareholder in exchange of contribution of Group's companies promissory notes in the total amount of $289,753. The promissory notes were issued for the settlement of loans payable to related parties. As a result the Company's issued capital increased by $2,898 and share premium increased by $286,855. The amount of share premium is not available for distribution by way of dividends.

The difference in exchange rates used for conversion of loans to share capital and actual date of resolution has lead to accrual of reserve at the amount of $24,195 which was recognized in capital contribution reserve.

No dividends were declared during the years ended 31 December 2011 and 2010.

18. Loans and borrowings

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

	31 December 2011	***31 December 2010 (Restated)***	***31 December 2009 (Restated)***
Current			
Related parties (Note 23)	26,722	250,079	164,523
Third parties	69,166	258,057	57,733
Total current borrowings	**95,888**	**508,136**	**222,256**
Non-current			
Related parties (Note 23)	19,438	95,665	165,340
Third parties	142,575	79,364	9,300
Total non-current borrowings	**162,013**	**175,029**	**174,640**
Total borrowings	**257,901**	**683,165**	**396,896**

At 31 December 2011, $5,336 of loans and borrowings were denominated in US Dollars (at 31 December 2010: $60,650, at 31 December 2009: $93,948). Other loans and borrowings were denominated in Russian rubles.

The interest rate for the loans and borrowings were as follows as at 31 December:

	Current loans and borrowings		***Non-current loans and borrowings***	
	2011	***2010***	***2011***	***2010***
Related parties	3-15%	3-15%	3-11%	3-13%

All borrowings bear fixed interest rate as at 31 December 2011, 31 December 2010 and 31 December 2009.

(in thousands of US Dollars)

18. Loans and borrowings (continued)

Loans from SberBank of Russian Federation

In 2010 the Group entered into a number of credit facility agreements with SberBank of the Russian Federation for the total amount of $68,557 (at the exchange rate as of 31 December 2010). The facilities mature in 2011-2016 and throughout 2011 bore interest in the range of 10.83% (2010: 10.27%-14.34%). These loans were denominated in Russian Rubles. As at 31 December 2011 the Group had outstanding amount within these loan facilities in the amount of $21,232 (2010:$11,482). As at 31 December 2011 the Group has unused borrowing facilities for these loans in the amount of $386 (2010: $3,403).

In 2011 the Group entered into a number of credit facility agreements with SberBank of Russian Federation for the total amount of $185,828 (at the exchange rate as of 31 December 2011). The facilities mature in 2011-2015 and throughout 2011 bore interest in the range of 11%-13%. These loans were denominated in Russian Rubles. As at 31 December 2011 the Group had outstanding amount within these loan facilities in the amount of $122,557 (at the exchange rate as of 31 December 2011). As of 31 December 2011 the Group has unused loan facilities for these loans in the amount of $45,768.

These facilities were used to finance the operating activities of the Group.

Loans from KIT Finance Investment Bank

In 2011 the Group entered into credit facility agreement with KIT Finance Investment Bank for the total amount of $15,530 (at the exchange rate as of 31 December 2011). This loan was denominated in Russian Rubles The facility matures in 2011-2013 and throughout 2011 bore interest of 10.5%. As at 31 December 2011 the Group had outstanding amount within this loan in the amount of $ 12,424 (at the exchange rate as of 31 December 2011). As of 31 December 2011 the Group has unused borrowing facilities for these loans in the amount of $3,106. This facility was used to finance the operating activities of the Group.

Loans from Moscow Credit Bank

In 2011 the Group entered into credit facility agreement with Moscow Credit Bank for the total amount of $12,424 (at the exchange rate as of 31 December 2011). The facility matures in 2011-2013 and throughout 2011 bore interest of 9%-10%. This loan was denominated in Russian Rubles. As at 31 December 2011 the Group had outstanding amount within this loan in the amount of $12,424 (at the exchange rate as of 31 December 2011). As of 31 December 2011 the Group has no unused borrowing facilities under these loans credit lines. This facility was used to finance the operating activities of the Group.

Loans from Commercial Bank of Moscow Bank for Reconstruction and Development

In 2011 the Group entered into credit facility agreement with Commercial Bank of Moscow Bank for Reconstruction and Development for the total amount of $20,717 (at the exchange rate as of 31 December 2011). The facility matures in 2011-2014 and throughout 2011 bore interest of 10.5%. This loan was denominated in Russian Rubles. As at 31 December 2011 the Group had outstanding amount within this loan in the amount of $ 5,198 (at the exchange rate as of 31 December 2011). As of 31 December 2011 the Group has unused borrowing facilities for these loans in the amount of $10,635. This facility was used to finance the operating activities of the Group.

Loans from Credit Bank Otkritie

In 2010 the Group entered into credit facility agreement with Commercial Bank Otkrytie for the total amount of $90,239 (at the exchange rate as of 31 December 2010). The facility matured in December 2011 and bore interest of 12.5%-16.5%. As at 31 December 2010 the Group had outstanding amount within these loan facilities in the amount of $67,079. As at 31 December 2010 the Group had unused borrowing facilities for these loans in the amount of $1,365.This facility was used to finance the operating activities of the Group.

In 2011 the Group entered into credit facility agreement with Commercial Bank Otkritie for the total amount of $95,558 (at the exchange rate as of 31 December 2011). The facility matures 2011-2016 and throughout 2011 bore interest of 11.4%-12.4%. This loan was denominated in Russian Rubles. As at 31 December 2011 the Group had outstanding amount within this loan in the amount of $ 28,388 (at the exchange rate as of 31 December 2011). As of 31 December 2011 the Group has unused borrowing facilities for these loans in the amount of $47,157. This facility was used to finance the operating activities of the Group.

(in thousands of US Dollars)

18. Loans and borrowings (continued)

Loans from Kinfield Investments limited

In 2010 the Group entered into credit agreement with Kinfield Investments Limited for the total amount of $24,848 (at the exchange rate as of 31 December 2011). The facility matures 2012 and throughout 2011 bore interest of 20%. This loan was denominated in Russian Rubles. As at 31 December 2011 the Group had outstanding amount within this loan in the amount of $2,168 (at the exchange rate as of 31 December 2011). This facility was used to finance the operating activities of the Group.

Interest rates under the loans from entities under common control

As long-term loans from entities under common control bear interest below market rates, at origination, the difference between the loan amount and its fair value is treated as an equity contribution to the Group, which represents an investment by the parent in the Group. Capital contribution related to the loans originated in 2009 amounts to $7,971 and for the loans originated in the 2010 amounts to $5,258. In 2011 certain loans due to related parties were converted to promissory notes payable on demand which resulted in decrease in capital contribution by $5,283.

Compliance with covenants

Some of the loan agreements with Commercial Bank Otkritie of the Russian Federation, Commercial Bank of Moscow Bank for Reconstruction, Moscow Credit Bank concluded in 2010-2011, 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 2010 and 31 December 2011, except for one loan from SberBank of Russian Federation, for which the Group did not comply with as of 31 December 2011 and the related amount of loan of $311 was reclassified to current loans. In March 2012 this loan was repaid.

Pledged assets

At 31 December 2011, the Group had inventory with a carrying value of $304,340 (31 December 2010 $171,423) and investment property with a carrying value of $179,020 at 31 December 2011 (31 December 2010 $195,559), pledged as collateral under the loan agreements.

At 31 December 2010, the Group had property, plant and equipment with a carrying value of $5,359 pledged as collateral under the loan agreement with Commercial Bank Otkrytie.

At 31 December 2011, 100% shares of LLC ElitComplex were pledged as collateral under Commercial Bank Otkrytie loan (100% shares of LLC ElitComplex at 31 December 2010). This subsidiary represents 5.63% and 4% of the consolidated assets as at 31 December 2011 and 31 December 2010 respectively, and 10.72%, 9% of consolidated revenues of the Group for the year ended 31 December 2011 and 31 December 2010 respectively. At 31 December 2011 the net assets (including intra-group balances) of LLC ElitComplex were $12,611 (At 31 December 2010: $5,622).

The Group pledged under credit facility agreement with Commercial Bank Otkrytie the inventory with a carrying value of $55,997 (at the exchange rate as of 31 December 2011).

The Group pledged under credit facility agreement with Commercial Bank Otkritie its rights for 429 apartments, related to agreements concluded by LLC ElitComplex with Governmental bodies of the Russian Federation, and all proceeds from these agreements in the amount of $41,045 (at the exchange rate as of 31 December 2010), $19,256 of which were unsettled as of 31 December 2010.

At 31 December 2011, the 100% shares of Seventinth block were pledged as collateral under Commercial Bank of Moscow Bank for Reconstruction and Development loan. This subsidiary represents 1.9% of the consolidated assets as at 31 December 2011. At 31 December 2011 the net assets (including intra-group balances) of Seventinth block were $6,957.

At 31 December 2011, the 100% shares of CJSC ElectroSetevaya Company were pledged as collateral under SberBank of Russian Federation loan. This subsidiary represents 0.49% of the consolidated assets as at 31 December 2011 and 3.08% of consolidated revenues of the Group for the year ended 31 December 2011. At 31 December 2011 the net assets (including intra-group balances) of CJSC ElectroSetevaya Company were $15,907.

At 31 December 2011, the 100% shares of CJSC TeploSetevaya Company were pledged as collateral under SberBank of Russian Federation loan. This subsidiary represents 2.9% of the consolidated assets as at 31 December 2011 and 5.8% of consolidated revenues of the Group for the year ended 31 December 2011. At 31 December 2011 the net assets (including intra-group balances) of CJSC TeploSetevaya Company were $19,140.

(in thousands of US Dollars)

18. Loans and borrowings (continued)

At 31 December 2011, the 100% shares of CJSC Vodosnabzhauschaya Company were pledged as collateral under Moscow Credit Bank loan. This subsidiary represents 1.58% of the consolidated assets as at 31 December 2011 and 2.51% of consolidated revenues of the Group for the year ended 31 December 2011. At 31 December 2011 the net assets (including intra-group balances) of CJSC Vodosnabzhauschaya Company were $13,960.

At 31 December 2011, the 100% shares of CJSC EnergoGeneriruyuschaya Company were pledged as collateral under Commercial Bank Otkrytie loan. This subsidiary represents 0.46% of the consolidated assets as at 31 December 2011 and 2.83% of consolidated revenues of the Group for the year ended 31 December 2011. At 31 December 2011 the net assets (including intra-group balances) of CJSC EnergoGeneriruyuschaya Company were $97,151.

At 31 December 2011, the 100% shares of LLC Largo were pledged as collateral under SberBank of Russian Federation loan. This subsidiary represents 1.28% of the consolidated assets as at 31 December 2011 and 0.13% of the consolidated revenues of the Group for the year ended 31 December 2011. At 31 December 2011 the net asstes (including intra-group balances) of LLC Largo were $1,412.

At 31 December 2011, the 99.9% shares of LLC MegaStroy Invest were pledged as collateral under SberBank of Russian Federation loan. This subsidiary represents 3.6% of the consolidated assets as at 31 December 2011 and 8% of the consolidated revenues of the Group for the year ended 31 December 2011. At 31 December 2011 the net asstes (including intra-group balances) of LLC MegaStroy Invest were $5,274.

At 31 December 2011, the 100% shares of CJSC Renova-StroyGroup-Akademicheskoe, were pledged as collateral under SberBank of Russian Federation loan. This subsidiary represents 61.11% of the consolidated assets as at 31 December 2011 and 54.16% of the consolidated revenues of the Group for the year ended 31 December 2011. At 31 December 2011 the net asseets (including intra-group balances) of CJSC Renova-StroyGroup-Akademicheskoe were $412,947

At 31 December 2010, 100% shares of CJSC Renova-StroyGroup-Akademicheskoe, LLC Region Stroy Invest, and LLC PSP-Express were pledged as collateral under SberBank of the Russian Federation loans (100% shares of CJSC Renova-StroyGroup-Akademicheskoe at 31 December 2009). These subsidiaries represent 76% and 76% of the consolidated assets as at 31 December 2010 and 31 December 2009, respectively, and 63% and 64% of consolidated revenues of the Group for the years ended 31 December 2010 and 31 December 2009, respectively. At 31 December 2010 and 31 December 2009 the net assets (including intra-group balances) were $443,408 and $343,284, respectively.

Discount amortisation

Amortization of the discount is included in interest expenses and amounted $16,575 for the year ended 31 December 2011(31 December 2010: $5,577).

Unused borrowing facilities

The Group had unused borrowing facilities in the total amount of $107,051 and $36,934 as of 31 December 2011 and of 31 December 2010 respectively.

19. 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. These securities were issued at par value, mature on 18 June 2014, bear an interest at a rate of 10.75% and were guaranteed by the Company. The liabilities under the bonds were accounted for at amortised cost.

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.

(in thousands of US Dollars)

20. Trade and other payables

Trade and other payables consisted of the following as of:

	31 December 2011	*31 December 2010 (Restated)*	*31 December 2009 (Restated)*
Trade payables to third parties	52,122	47,584	34,717
Accrual for unused vacation	792	356	472
Other payables to related parties (Note 23)	2,635	289	128
	55,549	**48,229**	**35,317**

Trade and other payables denominated in rubles amounted to $43,326 as at 31 December 2011 (31 December 2010: $38,592, 31 December 2009: $29,817), trade and other payables denominated in US Dollars amounted to $12,223 as at 31 December 2011 (31 December 2010: $9,553, 31 December 2009: $5,421).

Maturity profile of the accounts payable is shown in Note 25.

21. Advances from customers

At 31 December 2011 and at 31 December 2010, advances received in the amount of $108,842 and $66,060 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 2011 was $2,934 (31 December 2010: no advances received from related parties).

Advances received at 31 December 2011 are expected to be settled in 2012.

The Group recognized imputed interest at the market rate of 12-15.5%% in 2010, 10.8-15.5%% in 2011. The related interest was capitalized in inventory (Note 14).

At 31 December 2011 and 31 December 2010 advances received were denominated in Russian rubles.

22. Provisions

Provisions consisted of the following:

	Provisions for tax liability	***Bonus provision***	***Total***
Provisions at 31 December 2009 (Restated)	**1,771**	**8,688**	**10,459**
Accrued	1,184	4,937	6,121
Used amounts	–	(5,163)	(5,163)
Unused amounts reversed	–	(3,458)	(3,458)
Translation differences	(6)	(84)	(90)
Provisions at 31 December 2010 (Restated)	**2,949**	**4,920**	**7,869**
Accrued	–	13,773	13,773
Used amounts	–	(4,736)	(4,736)
Unused amounts reversed	–	(294)	(294)
Translation differences	(157)	(1,092)	(1,249)
Provisions at 31 December 2011	**2,792**	**12,571**	**15,363**

Provision for tax liability includes the estimation of probable tax risks as at the reporting date and bonus provision represents management's best estimate of the bonuses amount that will be subsequently paid to employees and management of the Group.

(in thousands of US Dollars)

23. 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 2011 and 31 December 2010, 31 December 2009 are detailed below

31 December 2011	*Loans receivable*	*Trade and other receivables*	*Advances issued*	*Cash and cash equivalents*	*Interest-bearing loans and borrowings*	*Trade and other payables*	*Advances received*
Shareholder of the parent company	2,924	2	–	–	4,439	195	–
Associates	5,720	1,381	–	–	–	723	–
Entities under common control	–	3,021	176	26,129	41,721	1,717	2,934
Total	**8,644**	**4,404**	**176**	**26,129**	**46,160**	**2,635**	**2,934**

31 December 2010 (Restated)	*Loans receivable*	*Trade and other receivables*	*Advances issued*	*Cash and cash equivalents*	*Interest-bearing loans and borrowings*	*Trade and other payables*	*Advances received*
Shareholder of the parent company	–	28	–	–	4,079	183	–
Associates	4,642	758	34	–	–	50	–
Entities under common control	–	1,375	3	17,892	341,665	56	–
Total	**4,642**	**2,161**	**37**	**17,892**	**345,744**	**289**	–

31 December 2009 (Restated)	*Loans receivable*	*Trade and other receivables*	*Advances issued*	*Cash and cash equivalents*	*Interest-bearing loans and borrowings*	*Trade and other payables*	*Advances received*
Shareholder of the parent company	–	–	–	–	3,739	42	–
Associates	3,613	–	–	–	–	–	–
Entities under common control	–	1,084	3	15,652	326,124	86	2
Total	**3,613**	**1,084**	**3**	**15,652**	**329,863**	**128**	**2**

(in thousands of US Dollars)

23. Balances and transactions with related parties (continued)

Year ended 31 December 2011	*Revenue*	*Finance income*	*Purchases*	*Finance costs*	*Other income/ (expenses)*	*Finance capitalization*
Shareholder of the parent company	–	537	–	124	19,889	–
Associates	2,391	1,026	834	–	–	–
Entities under common control	8,007	166	527	20,044	(35)	6,994
Total	**10,398**	**1,729**	**1,361**	**20,168**	**19,854**	**6,994**

Year ended 31 December 2010 (Restated)	*Revenue*	*Finance income*	*Purchases*	*Finance costs*	*Other income/ (expenses)*	*Finance capitalization*
Shareholder of the parent company	–	529	–	107	–	–
Associates	973	912	287	–	–	–
Entities under common control	6,885	109	206	18,381	–	3,938
Total	**7,858**	**1,550**	**493**	**18,488**	**–**	**3,938**

The balances with related parties as at 31 December 2011 and 31 December 2010 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.

On 12 December 2011 the Group sold to a related party, Kateb Holding S.A., 100% shares of the authorized and issued capital of Blosscrown Investments Ltd for the total consideration of $1,227. Accounts receivable for the sale were not settled as at 31 December 2011.

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:

	Year ended 31 December 2011	*Year ended 31 December 2010*
Salary	5,658	4,951
Performance bonuses	8,382	2,881
Other compensations	77	8
Social security taxes	234	99
	14,351	**7,939**

24. 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. In 2010 the Russian Government continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects.

(in thousands of US Dollars)

24. Contingencies, commitments and operating risks (continued)

Taxation

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

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

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. The Group estimated that at 31 December 2011 it had possible obligations from exposures to various tax risks primarily related to financial arrangements of the Group's companies. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and its practical application in Russian Federation. During last several months there was increased scrutiny from Russian tax authorities regarding to tax treatment of such transactions. In some instances, court practice, which was previously positive for the taxpayers, has changed to negative starting late 2011. Uncertainties in interpretation of applicable legislation and its practical application in Russian Federation may also lead to possible non-recoverability of certain tax assets. Russian members of our Group may be affected by this development of tax practice which could have a significant effect on the Group's financial condition and results of operations.

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 has signed a number of contracts for the construction works as of 31 December 2011. The Group had firm contractual commitments for the construction works for an approximate amount of $129,798 as at 31 December 2011 (31 December 2010: $192,377). However, many of 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 legal proceedings, none of which will individually or in aggregate, have a significant effect on the Group's operations or financial position. There are also several unasserted claims related to individuals and legal entities who prepaid for residential and commercial property to the previous owners of the property under construction. As the claims are either at the early stage or counterclaimed, the Group used their best estimate in regard of potential losses under this litigations and concluded that their amount is not significant for disclosure.

Guarantees

The Group has provided guarantee of promissory notes in the amount of $43,484 (as at the exchange rate of 31 December 2011) issued by Top-Project LLC (the entity under common control). As of 31 December 2011 fair value of the guarantee issued was nil. These promissory notes were subsequently settled by Top-Project LLC in 2012 in the full amount.

Commitments to sell to governmental bodies

The Group had commitments to sell residential apartments under agreements with governmental bodies concluded in 2009 and 2010 for the total amount of $249,683. As of 31 December 2011 the abovementioned commitments were fulfilled.

(in thousands of US Dollars)

25. Financial risk management objectives and policies

Credit risk

Credit risk refers to the risk that a 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 – SberBank of Russian Federation and OJSC "Metcombank" (a related party). Management periodically reviews the creditworthiness of the banks in which it deposits cash.

As of 31 December 2010 significant portion of trade receivables related to Governmental bodies of the Russian Federation, and amounted to $167,854. This debt was subsequently collected in the full amount in 2011. There are no other significant concentrations of credit risk within accounts receivable balances of the Group. The Group requires prepayments from the major part of its customers, except for Governmental bodies of the Russian Federation. The Group defines counterparties as having similar characteristics if they are related entities.

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 2011	*31 December 2010 (Restated)*	*31 December 2009 (Restated)*
Non-current assets			
Loans receivable	7,417	4,600	2,739
Total non-current assets	**7,417**	**4,600**	**2,739**
Current assets			
Cash and cash equivalents	41,646	36,289	17,490
Loans receivable	1,256	442	1,807
Trade and other receivables	10,975	178,219	4,409
Total current assets	**53,877**	**214,950**	**23,706**

The ageing analysis of trade and other receivables and loans receivable is presented in the table below as of 31 December 2011, 31 December 2010 and 31 December 2009:

	31 December 2011		*31 December 2010 (Restated)*		*31 December 2009 (Restated)*	
	Gross amount	*Impairment*	*Gross amount*	*Impairment*	*Gross amount*	*Impairment*
Not past due	14,568	–	183,222	–	8,895	–
Past due	6,421	(1,341)	1,810	(1,771)	1,121	(1,061)
less than 6 months	–	–	–	–	336	(276)
6 months – 1 year	4	(4)	773	(772)	389	(389)
over 1 year	6,417	(1,337)	1,037	(999)	396	(396)
Total	**20,989**	**(1,341)**	**185,032**	**(1,771)**	**10,016**	**(1,061)**

(in thousands of US Dollars)

25. Financial risk management objectives and policies (continued)

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 a financial plan on a monthly basis which ensures that the Group has sufficient cash on demand 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.

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 2011

	Less than 12 months	***1-2 years***	***2-5 years***	***Total***
Non-interest bearing debt				
Trade and other payables	55,549	–	–	55,549
Fixed-rate debt				
Other long-term liabilities		2,107	99	2,206
Loans and borrowings	119,615	101,200	202,879	423,694
principal	*93,113*	*82,754*	*170,829*	*346,696*
interest	*26,502*	*18,446*	*32,050*	*76,998*
	175,164	**103,307**	**202,978**	**481,449**

31 December 2010 (Restated)

	Less than 12 months	***1-2 years***	***2-5 years***	***Total***
Non-interest bearing debt				
Trade and other payables	48,229	–	–	48,229
Fixed-rate debt				
Other long-term liabilities	–	108	68	176
Loans and borrowings	548,285	177,980	34,987	761,252
Including: principal	*474,161*	*150,568*	*31,341*	*656,070*
interest	*74,124*	*27,412*	*3,646*	*105,182*
Total debt	**596,514**	**178,088**	**35,055**	**809,657**

(in thousands of US Dollars)

25. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

31 December 2009 (Restated)

	Less than 12 month	***1-2 years***	***2-5 years***	***Total***
Non-interest bearing debt				
Trade and other payables	35,317	–	–	35,317
Fixed-rate debt				
Other long-term liabilities	–	6,246	–	6,246
Loans and borrowings	225,507	88,342	149,621	463,470
Including: principal	*183,583*	*76,765*	*131,182*	*391,530*
interest	*41,924*	*11,577*	*18,439*	*71,940*
Total debt	**260,824**	**94,588**	**149,621**	**505,033**

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.

The Group monitors real estate prices and adjust its business strategy accordingly. The Group mitigates risk of increasing of prices for construction materials by entering into long-term contracts with suppliers, in several of them prices per square meter is fixed.

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 siginificantly affect the Group's equity.

Currency risk

The Group is exposed to currency risk 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.

(in thousands of US Dollars)

25. Financial risk management objectives and policies (continued)

Market risk (continued)

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

	31 December 2011	*31 December 2010*	*31 December 2009*
USD/RUB	13,885	181,368	126,223

As at 31 December 2011 the concentration of currency risk of the Group related to US dollar-denominated loans payable to entities under common control was $5,336 (or 100%) of total foreign-currency denominated loans. As at 31 December 2010 and 2009, the concentration of currency risk of the Group related to ruble-denominated loans payable to entities under common control was $182,443 (or 100%) and $168,236 (or 88%), respectively, of total foreign-currency denominated loans.

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 2009, 2010 and 2011, the Group assessed reasonably possible changes based on the volatility of foreign exchange rates during the reporting periods. As at 31 December 2011, 2010 and 2009 the Group used the following reasonably possible changes:

	31 December 2011		*31 December 2010*		*31 December 2009*	
	Change in exchange rate	*Effect on PBT*	*Change in exchange rate*	*Effect on PBT*	*Change in exchange rate*	*Effect on PBT*
	%	*US*	*%*	*US*	*%*	*US*
USD/RUB	(12.5)	(1,736)	(8.9)	(16,142)	(14.8)	(17,646)
	12.5	1,736	8.9	16,142	14.8	17,646

Fair value of financial instruments

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

	31 December 2011		*31 December 2010*		*31 December 2009*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Loans and receivables	257,192	217,199	175,026	152,325	200,660	174,393
	257,192	**217,199**	**175,026**	**152,325**	**200,660**	**174,393**

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	*31 December 2011*	*31 December 2010*	*31 December 2009*
USD	8.0%	9.0%	11.0%
RUB	14.2%	15.0%	13.0%

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 2011.

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 externally imposed capital requirements (loans covenants) which are used for capital monitoring. To mitigate this risk, the share capital of the entity was increased by RUR 350 million ($11,484 at the exchange rate as at 31 December 2010). The management of the Group believes that the Group is in the compliance with this covenant as at 31 December 2011 and will be in compliance with this covenant for the nearest twelve months after 1 January 2012.

(in thousands of US Dollars)

26. Segment information

For management purposes, the Group is organised into business units based on construction projects, and has six reportable operating segments in 2011:

- the project “Akademic City” (investment, residential and non-residential property)
- the project “MegaStroy” (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 “Ramenki” (residential and non-residential property)

and five reportable operating segments in 2010:

- the project “Akademic City” (investment, residential and non-residential property)
- the project “MegaStroy” (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)

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

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 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)

26. 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 2011

	Akademic City	*Ramenki*	*Aprelevka*	*Schelkovo*	*Yaroslavl*	*Megastroy*	*Other projects*	*Total*
Segment revenue	**382,475**	**39,184**	**37,510**	**63,601**	**20,116**	**81**	**44,827**	**587,794**
Accrual vs. cash basis	(153,541)	(11,505)	(2,260)	(24,521)	(11,466)	219	92,892	**(110,182)**
Elimination of intra-group revenue	(31,440)	(884)	(1)	–	–	–	(80,608)	**(112,933)**
Revenue per IFRS consolidated financial statements	**197,494**	**26,795**	**35,249**	**39,080**	**8,650**	**300**	**57,111**	**364,679**

Year ended 31 December 2010 (Restated)

	Akademic City	*Ramenki*	*Aprelevka*	*Schelkovo*	*Yaroslavl*	*Megastroy*	*Other projects*	*Total*
Segment revenue	**127,812**	**7,092**	**22,705**	**21,866**	**14,465**	**18,655**	**117,459**	**330,054**
Accrual vs. cash basis	135,104	74,221	23,588	19,325	1,398	5,221	(13,662)	**245,195**
Elimination of intra-group revenue	(37,282)	(946)	–	–	(11)	(149)	(76,437)	**(114,825)**
Revenue per IFRS consolidated financial statements	**225,634**	**80,367**	**46,293**	**41,191**	**15,852**	**23,727**	**27,360**	**460,424**

Year ended 31 December 2011

	Akademic City	*Ramenki*	*Aprelevka*	*Schelkovo*	*Yaroslavl*	*Megastroy*	*Other projects*	*Total*
Segment result	**(2,457)**	**(1,527)**	**(165)**	**602**	**(1,171)**	**(4)**	**10,078**	**5,356**
Accrual vs. cash basis	59,820	10,354	4,046	9,224	6,885	(878)	(42,875)	**46,576**
Net profit/(loss) per IFRS consolidated financial statements	**57,363**	**8,827**	**3,881**	**9,826**	**5,714**	**(882)**	**(32,797)**	**51,932**

Year ended 31 December 2010 (Restated)

	Akademic City	*Ramenki*	*Aprelevka*	*Schelkovo*	*Yaroslavl*	*Megastroy*	*Other projects*	*Total*
Segment result	**7,403**	**775**	**(775)**	**259**	**140**	**(2,055)**	**13,052**	**18,799**
Accrual vs. cash basis	72,065	25,644	5,196	7,335	(4,684)	2,148	(39,902)	**67,802**
Net profit/(loss) per IFRS consolidated financial statements	**79,468**	**26,419**	**4,421**	**7,594**	**(4,544)**	**93**	**(26,850)**	**86,601**

In 2011, 20% of the Group's consolidated revenues were received upon the fulfillment of the Contractual obligations per government contracts of the Russian Federation (2010: 34%).

(in thousands of US Dollars)

27. Subsequent events

In April 2012 the International rating agency Standard and Poor's has rated the Group corporate credit rating "B-/B" with stable growth.

In January-April 2012 the Group fully repaid loans received from Kinfield Investments Limited and OJSC "Metcombank" in the total amount of $2,794 and $7,799 (at the exchange rate at 31 December 2011), respectively. In March 2012 the Groupsettled obligations under a loan agreement with Sberbank of Russian Federation in the total amount of $2,314 (at the exchange rate at 31 December 2011). As a result, inventory in the amount of $5,758 (at the exchange rate at 31 December 2011) was released from pledge.

In January-April 2012 the Group partially repaid its obligations under existing credit ficilities in the total amount of $109,812 (at the exchange rate at 31 December 2011)

On 27th March, 2012 the Group signed a new loan agreement with CJSC "Raiffeisenbank" for $15,530 (at the exchange rate at 31 December 2011). Investment property in the amount $7,947 (carrying amount at 31 December 2011) was pledged under this loan agreement.

In January-April 2012 Group received loan in the total amount of $74,881 (at the exchange rate at 31 December 2011) under existing credit facilities, and $8,936 (at the exchange rate at 31 December 2011) under new loan agreement with CJSC "Raiffeisenbank".

In April 2012 OJSC "Energogeneriruyschaya Company" has registered 1,750,000 certificated interest bearing non-convertible bearer bonds series 01 with nominal value of each note $0,031 (at the exchange rate at 31 December 2011). Total nominal value of the bonds is $54,354. As of the date of these financial statements bonds haven't been placed yet.

In April 2012 the Group purchased 3,543 investment units of Closed Investment Share Fund "RSG New Hosting for Citizens" for $1,305 (at the exchange rate at 31 December 2011).