

O1 PROPERTIES GROUP

Annual Report and Consolidated Financial Statements
31 December 2013

Contents

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Board of Directors and Other Officers.....	1
Annual Report of the Board of Directors.....	2

INDEPENDENT AUDITOR'S REPORT.....	4
--	----------

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position.....	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	7
Consolidated Statement of Changes in Equity.....	8
Consolidated Statement of Cash Flows.....	9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1	General Information	10
2	Operating Environment of the Group	13
3	Basis of Preparation and Summary of Significant Accounting Policies	13
4	Critical Accounting Estimates and Judgements in Applying Accounting Policies.....	24
5	Adoption of New or Revised Standards and Interpretations.....	26
6	Segment Information.....	27
7	Property, Plant and Equipment	30
8	Investment Property	31
9	Investments in Associate and Joint Venture.....	33
10	Loans Issued.....	34
11	Trade and Other Receivables	35
12	Cash and Cash Equivalents.....	35
13	Non-current Assets Classified as Held for Sale	36
14	Borrowings	37
15	Trade and Other Payables and Other Liabilities	40
16	Share Capital and Share Premium	41
17	Net Rental Income	43
18	General and Administrative Expenses and Other Operating Expenses	44
19	Finance Income and Finance Costs	45
20	Income Taxes.....	45
21	Financial Risk Management.....	47
22	Management of Capital	51
23	Contingencies, Commitments and Operating Risks	52
24	Fair Value	55
25	Presentation of Classes of Financial Instruments with Measurement Categories.....	57
26	Related Party Transactions.....	57
27	Acquisitions and Disposals	59
28	Subsequent Events	66

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Mr. Dmitry Mints Mr. Tomasz Zamiara Mr. Michael Stanton Mr. Alexander Ostrovskiy Mr. Richard Gregson Mr. Timothy Fenwick Mr. John Nacos Mr. Konstantin Yanakov
Company Secretary:	Panglobe Secretarial Limited
Independent Auditors:	PricewaterhouseCoopers Limited, Cyprus Certified Public Accountants and Registered Auditors
Registered office:	18 Spyrou Kyprianou Flat/office 301 1075 Nicosia Cyprus
Bankers:	Nomos Bank Bank of Cyprus Bank VTB plc CJSC Credit Europe Bank UBS AG Russian Commercial Bank (Cyprus) Ltd CB Moscommerz Bank LGT Bank in Liechtenstein
Registration number:	HE 272334

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited consolidated financial statements of O1 Properties Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2013.

Incorporation and status

O1 Properties Limited was incorporated in Cyprus on 24 August 2010 as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. On 28 March 2012 the Company was reconstituted from a private limited liability company to a public limited company under the name O1 Properties plc. On 10 July 2012 the Company was reconstituted from public limited company to a private limited liability company under the name O1 Properties Limited.

Principal activities

The principal activities of the Company are the holding and financing of investments. The Group operates in the Russian real estate market. In particular, the Group is focused on buying active investment properties in the Russian Federation to derive profit from their activities.

Review of the development and current position of the Company and description of the major risks and uncertainties

The profit of the Group for the year ended 31 December 2013 was USD 231 602 thousand (2012: USD 65 839 thousand) while comprehensive income for the year was USD 138 352 thousand (2012: USD 126 412 thousand). At 31 December 2013 the total assets of the Group were USD 4 682 731 thousand and the total equity was USD 1 682 169 thousand (2012: USD 3 171 037 thousand and USD 1 077 033 thousand respectively). The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in Notes 2, 4, 21, 22 and 23 to the consolidated financial statements.

Results and Dividends

The Group's results for the year ended 31 December 2013 are set out on page 7. During 2013 the Directors approved the payment of dividends of USD 52 556 thousand. Refer to Note 16 for the information on dividends approved during the year and subsequently.

Share capital

Refer to Notes 16 and 28 to the consolidated financial statements for the information on changes in the share capital of the Company during the year and subsequently.

ANNUAL REPORT OF THE BOARD OF DIRECTORS (Continued)

Board of Directors

The members of the Company's Board of Directors at the date of this report are presented on page 1.

There were no changes in the Board of Directors since 1 January 2013 except in March 2014 a new director Mr. Konstantin Yanakov was appointed by unanimous resolution of the Board of Directors of the Company pursuant to the Articles of Association of the Company.

The interests of the Members of the Board of Directors in the share capital of the Company are disclosed in Note 26 to the consolidated financial statements.

Significant events after the reporting period

Any significant events that occurred after the end of the reporting period are described in Note 28 to the consolidated financial statements.

Existence of branches

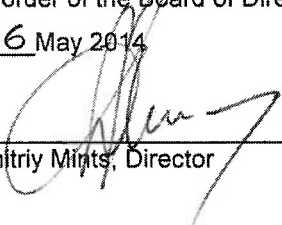
During the year ended 31 December 2013 the Company did not operate through any branches.

Independent Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

26 May 2014



Dmitry Mints, Director



Independent auditor's report **To the Members of O1 Properties Limited**

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of O1 Properties Limited (the “Company”) and its subsidiaries (together with the Company, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2013 and 31 December 2012, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

PricewaterhouseCoopers Ltd, Julia House, 3 Themistocles Dervis Street, CY-1066 Nicosia, Cyprus
P O Box 21612, CY-1591 Nicosia, Cyprus
T: +357 - 22 555 000, F: +357 - 22 555 001, www.pwc.com/cy

PricewaterhouseCoopers Ltd is a member firm of PricewaterhouseCoopers International Ltd, each member firm of which is a separate legal entity. PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No. 143594). A list of the company's directors including for individuals the present name and surname, as well as any previous names and for legal entities the corporate name, is kept by the Secretary of the company at its registered office at 3 Themistocles Dervis Street, 1066 Nicosia and appears on the company's web site. Offices in Nicosia, Limassol, Larnaca and Paphos.



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2013 and 31 December 2012, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

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

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

Other matter

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

A handwritten signature in blue ink that reads "George C. Kazamias" followed by a large, stylized arrow pointing to the right.

George C Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 26 May 2014

O1 Properties Group
Consolidated Statement of Financial Position

<i>In thousands of US Dollars</i>	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	7	24 630	23 336
Investment property	8	4 172 500	2 639 912
Investment in associate	9	-	10 199
Investment in joint venture	9	13 028	-
Loans issued	10	16 615	23 032
Prepayments and deferred expenses		4 093	7 157
VAT receivable		9 469	6 984
Total non-current assets		4 240 335	2 710 620
Current assets			
Derivative financial instruments	23	14 043	-
Inventories		1 245	336
Loans issued	10	1 564	504
Prepayments and deferred expenses		33 798	6 340
VAT receivable		1 314	17 131
Trade and other receivables	11	286 810	37 653
Current income tax prepayments		11 716	399
Cash and cash equivalents	12	75 881	54 769
Assets available for sale	27	16 025	-
Non-current assets classified as held for sale	13	-	343 285
Total current assets		442 396	460 417
TOTAL ASSETS		4 682 731	3 171 037
LIABILITIES			
Non-current liabilities			
Borrowings	14	2 664 705	1 403 507
Tenant deposits		53 375	34 315
Deferred income tax liability	20	2 651	1 391
Total non-current liabilities		2 720 731	1 439 213
Current liabilities			
Borrowings	14	133 107	281 096
Derivative financial instruments	23	8 931	16 033
Tenant deposits		6 195	11 234
Deferred rental income		87 781	71 413
Current income tax liability		1 916	2 964
Trade and other payables and other liabilities	15	41 901	67 935
Liabilities directly associated with non-current assets classified as held for sale	13	-	204 116
Total current liabilities		279 831	654 791
TOTAL LIABILITIES		3 000 562	2 094 004
EQUITY			
Share capital and share premium	16	1 072 145	639 814
Property revaluation reserve	7	3 619	-
Translation reserve		(121 096)	(24 335)
Retained earnings		641 113	461 468
Equity attributable to the owners of the Company		1 595 781	1 076 947
Non-controlling interest		86 388	86
TOTAL EQUITY		1 682 169	1 077 033
TOTAL LIABILITIES AND EQUITY		4 682 731	3 171 037

Approved for issue by the Board of Directors and signed on its behalf on 26 May 2014.



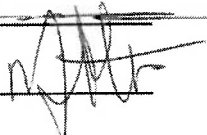
 Dmitriy Mints, Director



 Tomasz Zamiara, Director



 Alexander Ostrovskiy, Director



 Michael Stanton, Director

O1 Properties Group
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of US Dollars</i>	Note	2013	2012
Rental revenue		341 773	178 196
Operating expenses of investment property	17	(49 563)	(33 891)
Net rental income	17	292 210	144 305
Net gain from fair value adjustment on investment property	8	286 422	3 804
General and administrative expenses	18	(32 348)	(28 268)
Other operating expenses	18	(14 003)	(5 289)
Other operating income		5 903	2 289
Net gain from disposal of subsidiaries	27	2 507	-
Finance income	19	17 852	2 425
Finance costs	19	(187 198)	(129 186)
Share of result of associate	9	4 131	(168)
Share of result of joint venture	9	3 950	3 103
Foreign exchange translation losses less gains		(138 530)	84 465
Profit before income tax		240 896	77 480
Income tax expense	20	(9 294)	(11 641)
Profit for the year		231 602	65 839
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Effect of translation to presentation currency of the financial statements of foreign operations		(95 804)	59 987
Share of other comprehensive (loss)/income of associate	9	(529)	586
Share of other comprehensive loss of joint venture	9	(536)	-
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of property, plant and equipment	7	3 619	-
Total other comprehensive (loss)/gain for the year		(93 250)	60 573
Total comprehensive income for the year		138 352	126 412
Profit/(loss) is attributable to:			
- Owners of the Company		232 201	65 815
- Non-controlling interest		(599)	24
Total comprehensive income/(loss) is attributable to:			
- Owners of the Company		139 059	126 388
- Non-controlling interest		(707)	24

O1 Properties Group
Consolidated Statement of Changes in Equity

<i>In thousands of US Dollars</i>	Attributable to owners of the Company					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Property revaluation reserve	Translation reserve	Retained earnings			
Balance at 1 January 2012	18	468 566	-	(84 892)	391 121	774 813	62	774 875
Profit for the year	-	-	-	-	65 815	65 815	24	65 839
Other comprehensive income for the year	-	-	-	60 573	-	60 573	-	60 573
Total comprehensive income for the year	-	-	-	60 573	65 815	126 388	24	126 412
Share issue (Note 16)	650	170 580	-	-	-	171 230	-	171 230
Contribution from shareholders through sale of subsidiary (Notes 4 and 27)	-	-	-	(16)	8 482	8 466	-	8 466
Dividends paid (Note 16)	-	-	-	-	(3 950)	(3 950)	-	(3 950)
Balance at 31 December 2012	668	639 146	-	(24 335)	461 468	1 076 947	86	1 077 033
Profit/(loss) for the year	-	-	-	-	232 201	232 201	(599)	231 602
Other comprehensive income/(loss) for the year	-	-	3 619	(96 761)	-	(93 142)	(108)	(93 250)
Total comprehensive income/(loss) for the year	-	-	3 619	(96 761)	232 201	139 059	(707)	138 352
Business combinations (Notes 16 and 27)	-	202 000	-	-	-	202 000	87 009	289 009
Share capital restructuring (Note 16)	204	-	-	-	-	204	-	204
Share issue (Note 16)	151	224 849	-	-	-	225 000	-	225 000
Share issue to top management (Note 16)	2	5 125	-	-	-	5 127	-	5 127
Dividends declared (Note 16)	-	-	-	-	(52 556)	(52 556)	-	(52 556)
Balance at 31 December 2013	1 025	1 071 120	3 619	(121 096)	641 113	1 595 781	86 388	1 682 169

The accompanying notes are an integral part of these consolidated financial statements.

O1 Properties Group
Consolidated Statement of Cash Flows

<i>In thousands of US Dollars</i>	Note	2013	2012
Profit before income tax		240 896	77 480
Adjustments for:			
Depreciation	7, 18	824	400
Net gain from fair value adjustment on investment property	8	(286 422)	(3 804)
Net gain from disposal of subsidiaries		(2 507)	-
Finance costs	19	187 198	129 186
Finance income	19	(17 852)	(2 425)
Share of result of associates	9	(4 131)	168
Share of result of joint venture	9	(3 950)	(3 103)
Foreign exchange translation losses less gains		138 530	(84 465)
Other non-cash adjustments		11 691	2 691
Operating cash flows before working capital changes		264 277	116 128
Net decrease in VAT receivable		15 817	23 563
Net decrease/(increase) in trade and other receivables		2 519	(20 316)
Net increase in prepayments		(1 108)	(16)
Net increase/(decrease) in tenant deposits		8 064	(1 577)
Net (decrease)/increase in deferred rental income		(19 532)	33 856
Net (decrease)/increase in trade and other payables		(73 319)	1 550
Effect of translation to presentation currency		(9 968)	(352)
Changes in working capital		(77 526)	36 708
Income tax paid		(15 105)	(14 895)
Net cash from operating activities		171 645	137 941
Cash flow from investing activities			
Expenditures on subsequent improvements of investment property	8	(14 341)	(58 326)
Payments for land lease		(4 531)	(1 324)
Cash outflow on acquisition of subsidiaries	27	(98 010)	(312 018)
Cash outflow on acquisition of share in joint venture	9,27	(3 319)	(3 045)
Proceeds/(cash outflow) from sale of shares in subsidiary, net of cash disposed	27	111 916	(781)
(Decrease)/increase in non-current VAT receivable		13 837	(3 416)
Loans issued		(128 546)	(71 232)
Repayment of loans issued		117 945	40 330
Interest received		3 442	2 115
Net cash used in investing activities		(1 607)	(407 697)
Cash flows from financing activities			
Proceeds from shares issued	16	-	3 330
Proceeds from borrowings		732 422	1 479 865
Repayment of borrowings		(682 151)	(1 076 761)
Interest paid		(151 233)	(121 228)
Dividends paid	16	(52 556)	(3 950)
Net cash (used in)/from financing activities		(153 518)	281 256
Effect of exchange rate changes on cash and cash equivalents		(403)	(3 411)
Net increase in cash and cash equivalents		16 117	8 089
Cash and cash equivalents at beginning of year		59 764	51 675
Cash and cash equivalents at the end of year	12, 13	75 881	59 764

Refer to Notes 16 and 27 for the information on significant non-cash transactions.

1 General Information

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap 113, for O1 Properties Limited (the "Company") and its subsidiaries (the "Group").

The Company was incorporated on 24 August 2010 as a private limited liability company and is domiciled in Cyprus. On 28 March 2012 the Company was reconstituted from a private limited liability company to a public limited company under the name O1 Properties plc. On 10 July 2012 the Company was reconstituted from public limited company to a private limited liability company under the name O1 Properties Limited. The address of its registered office is 18, Spyrou Kyprianou, flat/office 301, 1075 Nicosia, Cyprus.

At 31 December 2013 the Company's principal immediate shareholders were Nori Holding Limited (Cyprus) which owned 100% of Class "A" shares, Centimila Services Ltd (Cyprus) which owned 54.478% of class "B" shares and Coniston Management Limited (BVI) which owned 44.888% of Class "B" shares (2012: 54.614% of ordinary shares of the Company were owned by O1 Group Limited (Cyprus), 45% - by Coniston Management Limited (BVI)). The Group is ultimately controlled by Mr. Boris Mints, citizen of the Russian Federation (the "Ultimate Controlling Shareholder").

Principal activity: The principal activities of the Company are the holding and financing of investments. The Group operates mainly in the Russian real estate market. Refer to Note 6 for the segment information.

At 31 December 2013 the consolidated subsidiaries, joint ventures and associates of the Group were as follows:

Entity	Country of incorporation	Principal activity	% of effective ownership at 31 December 2013	% of effective ownership at 31 December 2012
Avion Corporate Business Center (Cyprus) Limited	Cyprus	Investment property	100*	100*
Bolshevik OJSC (Note 27)	Russian Federation	Investment property	49.81	-
Business Center Stanislavsky (Cyprus) Limited	Cyprus	Investment property	100*	100*
Firma "Morava" LLC (Note 27)	Russian Federation	Investment property	85	50
Gasheka Realty Limited	Russian Federation	Investment property	100*	100*
Goldstyle Holdings Limited (Note 27)	Cyprus	Investment property	50.5*	-
Krugozor Business Center (Cyprus) Limited	Cyprus	Investment property	100*	100*
Kvartal 674-675 LLC (Note 27)	Russian Federation	Investment property	66.7*	-
Le Fortaco Limited	Cyprus	Investment property	100*	100*
Levisoma Trading Limited	Cyprus	Investment property	100*	100*
Mervita Holdings Limited	Cyprus	Investment property	100*	100*
Meteolook Investments Limited	Cyprus	Investment property	100*	100*
Pianconero Investments Limited	Cyprus	Investment property	100*	100*
Silver City Limited (Note 27)	Russian Federation	Investment property	100*	100*
Tzortis Limited	Cyprus	Investment property	100*	100*
Vodniy Stadion Sport Invest CJSC (Note 27)	Russian Federation	Investment property	-	100*
VKS Invest Limited (Note 27)	Russian Federation	Investment property	100	-

O1 Properties Group**Notes to the Consolidated Financial Statements - 31 December 2013****1 General Information (Continued)**

Entity	Country of incorporation	Principal activity	% of effective ownership at 31 December 2013	% of effective ownership at 31 December 2012
Afelmor Overseas Limited (Note 27)	Cyprus	Holding company	66.7*	-
Amortilla Holding Limited	Cyprus	Holding company	100*	100*
Arliamos Limited	Cyprus	Holding company	-	100*
Asabelle Limited	Cyprus	Holding company	50+1 share	-
Bayroad Group Limited (Note 27)	British Virgin Islands	Holding company	50+1 share	-
Bitlena Holdings Limited	Cyprus	Holding company	100	100
Blandid Limited	Cyprus	Holding company	100	100
Boxar Holdings Limited	Cyprus	Holding company	100	100*
Cemvertia Investments Ltd (Note 27)	Cyprus	Holding company	100	-
Construction-Invest LLC (Note 27)	Russian Federation	Holding company	50+1 share	-
Dipotravi Holdings Limited	Cyprus	Holding company	50+1 share	-
Freyamoon Limited	Cyprus	Holding company	100*	100*
Gunilla Limited (Note 27)	Cyprus	Holding company	50.5	-
Letvion Investments Limited	Cyprus	Holding company	85	100
Mokati Limited	Cyprus	Holding company	100	-
Narvi Finance Limited	Cyprus	Holding company	50.5*	-
Paremos Limited	Cyprus	Holding company	100	100*
Quotex Limited	Cyprus	Holding company	100*	100
Ratado Holding Limited (Note 28)	Cyprus	Holding company	100	100*
Sabatón Holdings Limited	Cyprus	Holding company	100	-
Sharezone Capital Limited	Cyprus	Holding company	100*	100*
Solorita Holding Limited	Cyprus	Holding company	50+1 share	50+1 share
Taavo Enterprises Limited (Note 27)	Cyprus	Holding company	85***	50*
Talisia Investments Limited	British Virgin Islands	Holding company	100	100*
Telchar Consulting Limited	Cyprus	Holding company	50.5*	-
Theochristel Limited	Cyprus	Holding company	100	100*
Valnaz Investments Limited	Cyprus	Holding company	100	100
Vivaldi Holdings Limited	Cayman Islands	Holding company	100*	-
White Estate Investments Limited (Note 27)	British Virgin Islands	Holding company	100	-
Wizgate Holding Limited	Cyprus	Holding company	100*	100*
Belegar Limited	Cyprus	Financing company	100*	-
Discovery Russian Realty Paveletskaya Project Ltd	Cayman Islands	Financing company	100	100*
Eagleman Limited	Cyprus	Financing company	100	100
Fundin Investments Limited	Cyprus	Financing company	100	-
Glenston Investments Limited	British Virgin Islands	Financing company	66.7*	-
Gisoral Holdings Limited	Cyprus	Financing company	50+1 share	50+1 share
Invery Management Ltd	British Virgin Islands	Financing company	100	-
Kinevart Investments Limited	Cyprus	Financing company	66.7*	-
Lomnia Services Limited	Cyprus	Financing company	100*	100
Nancit Enterprises Limited	Cyprus	Financing company	100*	100*
Nightsky S.à.r.l.	Luxembourg	Financing company	100*	100
Osborne Finance Limited	British Virgin Islands	Financing company	100*	100*

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

1 General Information (Continued)

Entity	Country of incorporation	Principal activity	% of effective ownership at 31 December 2013	% of effective ownership at 31 December 2012
Silver City Finance S.à.r.l.	Luxembourg	Financing company	100*	100*
Stabilac Limited	Cyprus	Financing company	100	100
Vardarac S.à.r.l.	Luxembourg	Financing company	50.5*	-
Vivaldi Plaza Finance S.à.r.l.	Luxembourg	Financing company	100*	-
Wallasey Limited	Cyprus	Financing company	100*	100*
Yellow Wall S.à.r.l.	Luxembourg	Financing company	100	-
City-Developer LLC	Russian Federation	Management company	100	100
Hannory Holdings Limited	Cyprus	Management company	100	100
Nash Standart CJSC	Russian Federation	Management company	100	100
O1 Properties Management CJSC	Russian Federation	Management company	100	100
Annabeth Services Limited	Cyprus	Inactive	85	100
Argam Limited	Cyprus	Inactive	100	-
Astra LLC	Russian Federation	Inactive	-	100
Celera Corporation	British Virgin Islands	Inactive	100	100*
Collins Crest Limited	British Virgin Islands	Inactive	100	-
Damvex Investments Limited (Note 27)	Cyprus	Inactive	-	100*
Dawson Int'L Inc.	British Virgin Islands	Inactive	100	100*
Effusive Holding Limited (Note 27)	Cyprus	Inactive	-	100*
Finance Marekkon Limited	Cyprus	Inactive	50+1 share	-
Finstroy Limited	Russian Federation	Inactive	-	100*
Flybase Investments Limited (Note 27)	Cyprus	Inactive	-	100*
Gasheka Development Limited (Note 27)	Cyprus	Inactive	100	100*
Gasheka Finance Company Limited (Note 27)	Cayman Islands	Inactive	100	100*
Hines DP III Development Limited (Note 27)	Cyprus	Inactive	100**	100**
Hines DP III Realty Limited (Note 27)	Cyprus	Inactive	100**	100**
Kolston Group Limited	British Virgin Islands	Inactive	100	-
Maiga Investments Limited	Cyprus	Inactive	-	100*
Minesign Limited	Cyprus	Inactive	100	-
Moscow Furniture Plant CJSC	Russian Federation	Inactive	-	95.8*
Mumford Limited	Cyprus	Inactive	100	-
Nezoral Limited	Cyprus	Inactive	50+1 share	-
Sandix Group B.V.	The Netherlands	Inactive	-	100
Semela LLC	Russian Federation	Inactive	-	100
Starve serebryaniki OJSC	Russian Federation	Inactive	100	-
Stroypromplast CJSC	Russian Federation	Inactive	100	100
Thabit Holdings Limited	Cyprus	Inactive	100	-
Tropical Sunset Holdings Inc. (Note 27)	British Virgin Islands	Inactive	100**	100**
Upstalen Limited (Note 27)	Cyprus	Inactive	100	100
Xeroma Management Limited	Cyprus	Inactive	-	100*
Zatkapa Holdings Limited	Cyprus	Inactive	-	100*

* Pledged in relation to borrowings (Note 14).

** Pledged in relation to liabilities of entities controlled by the Ultimate Controlling Shareholder. These companies owned 50% Ducat III property until 2013 (Note 8).

*** Shares representing 50% ownership were pledged in relation to borrowings (Note 14).

Refer to Note 27 for the information on acquisitions and disposals by the Group during 2013 and 2012.

2 Operating Environment of the Group

The Group through its operations has a significant exposure to the economic conditions in the Russian Federation and legal and tax conditions in Cyprus. The management of the Group is constantly monitoring the developments in the operating environment of the Group in order to estimate the full impact that these developments may have on the business of the Group.

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (Note 23). The political and economic turmoil witnessed in the region in late 2013 and early 2014, including the recent developments in Ukraine, have had and may continue to have a negative impact on the Russian economy in different ways including the weakening of the Rouble, increase in the CBRF key interest rates, withdrawal of capital from the country and making it harder to raise international funding. A mixture of travel bans, asset freezing orders and the prohibition to engage with a limited number of Russian entities and individuals have been put in place by several countries and there remains the ongoing threat of expanding the sanctions list to further Russian entities and individuals. At this stage the impact of the above on the Russian economy, in particular if any wider sanctions were introduced, is difficult to determine. GDP growth of Russia has been forecast by the CBRF to be less than 1% in 2014. The financial markets are uncertain and volatile. These and other events may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict.

The ongoing uncertainty and volatility of the financial markets and other risks could have significant negative effects on the Russian financial and corporate sectors. Management determined fair values and made other estimates by considering the economic environment and outlook at the end of the reporting period.

Cyprus. The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. These events led to negotiations between the Republic of Cyprus and the European Commission, the European Central Bank and the International Monetary Fund (the "Troika") for financial support which resulted into the Eurogroup decision on 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through a "bail in". Additionally, during 2013 the Cyprus economy further contracted with a decrease in the Gross Domestic Product. The current and future economic, tax and legal conditions in Cyprus may have an adverse impact on some operations of the Group.

3 Basis of Preparation and Summary of Significant Accounting Policies

Basis of presentation. These consolidated financial statements 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, under the historical cost convention as modified by revaluation of premises, investment property and derivative financial instruments. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Functional currency. The individual financial statements of each of the companies within the Group are prepared in the currency of the primary economic environment in which it operates (its functional currency). The functional currency of the Company is the US Dollar ("USD"). The functional currency of the property holding companies is the Russian Rouble ("RR"). Refer to Note 4.

Presentation currency. All amounts in these consolidated financial statements are presented in thousands of USD.

At 31 December 2013 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 32.7292 (31 December 2012: USD 1 = RR 30.3727) and the average exchange rate used for translating income and expenses was USD 1 = RR 31.848 (2012: USD 1 = RR 31.093).

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries that meet the definition of a business. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition of a business are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill and deferred taxes.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of the net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

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

Investment in jointly controlled entities. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each partner has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the partners establishes joint control over the economic activity of the entity.

Investments in jointly controlled entities are accounted for using the equity method of accounting, based upon the percentage of ownership held by the Group. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Disposals of subsidiaries, jointly controlled entities and associates. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the difference in carrying amount recognised in profit or loss. The fair value of any retained interest in the entity is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker (the "CODM") is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision maker is the Board of Directors of the Company.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 24.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination), if any are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating the interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: loans and receivables, financial instruments available for sale and financial assets at fair value through profit or loss.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Classification of financial liabilities. The Group classifies its financial liabilities except for derivatives into financial liabilities carried at amortised cost.

Initial recognition of financial instruments. All financial instruments carried at amortised cost are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instruments.

The Group uses discounted cash flow valuation techniques to determine the fair value of derivative financial instruments, loans to and from related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight line basis over the term of the derivative financial instruments, loans to and from related parties.

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Derecognition of financial liabilities. The Group derecognises a financial liability or part of a financial liability when the obligation specified in the contract is discharged or cancelled or expires.

Property, plant and equipment. Property, plant and equipment are stated at cost or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required. Cost of property, plant and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

Premises are subject to revaluation on a regular basis to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation of buildings are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit and loss for the year.

The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised either on the retirement or disposal of the asset.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At each end of reporting period management assess 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 impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss as other operating income or other operating expenses.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Premises	50
Computer equipment	5
Cars	5
Office equipment	10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property. Investment property is the property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from the sale of the asset in an orderly transaction, without deduction of any transaction cost. The best evidence of fair value is given by current prices in an active market for the similar property in the same location and condition. In the absence of current prices in an active market, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and
- (d) sale proposals from the market players.

The market value of the Group's investment property is determined based on reports of independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in valuation of property of similar location and category.

Investment property that is being developed or redeveloped for continuing use as investment property continues to be measured at fair value.

Earned rental income is recorded in the consolidated statement of profit or loss and other comprehensive income within the separate line "Rental revenue". Net gains from fair value adjustment on investment property are recorded in the consolidated statement of profit or loss. Gains or losses on disposal of investment property are calculated as proceeds less carrying amount.

Subsequent expenditure (other than fit-out compensations to the Group's tenants which is recorded as reduction of rental revenues on a straight-line basis over the total rent period) is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Investment property also includes long-term leasehold land held under an operating lease, which is accounted for as a finance lease in accordance with IAS 40 "Investment Property" and IAS 17 "Leases". Each lease payment on the long-term leasehold land is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current lease liability on leasehold land. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Loans issued. Loans are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. After initial recognition loans and receivables are measured at amortised cost using the effective interest method.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are recognised in profit or loss when the goods or services relating to the prepayments are received.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year. Prepayments are treated as non-financial and non-monetary assets.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis.

Input VAT from goods or services received, prepayments made to tax authorities and VAT receivable from tax authorities are presented as VAT receivable in the consolidated statement of financial position. Payables to tax authorities for VAT are shown as part of trade and other payables.

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

Inventories. Inventories are accounted for at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete and selling expenses. Cost of inventories is determined using the specific identification method, whereby the specific costs are attributed to identified items of inventory.

A normal operating cycle required for construction project may exceed twelve months. Inventories are classified as current assets even when they are not expected to be realised within twelve months after the reporting date.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. A provision for impairment of financial assets carried at amortised cost is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recorded in the consolidated statement of profit or loss and other comprehensive income within other operating expenses.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

The primary factors that the Group considers whether a receivable is impaired is its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Assets available for sale. Assets available for sale are carried at fair value. Interest income on available for sale debt instruments is calculated using the effective interest method and recognised in profit or loss for the year. Dividends on available for sale equity instruments are recognised in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the asset is derecognised or impaired, at which time the cumulative gain or loss is removed from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events that occurred after the initial recognition. The cumulative impairment loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss) is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses on equity instruments are not reversed and subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Cash and cash equivalents. Cash and cash equivalents include cash in hand and balances with banks with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Restricted balances are excluded from cash and cash equivalents for the purpose of the cash flow statement.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the consolidated statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Borrowings. Borrowings are carried at amortised cost using the effective interest method.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group or where the Group is a lessee in an operating lease, which is classified as investment property, the assets leased are capitalised in investment property at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the profit or loss over the lease period using the effective interest method.

Derivative financial instruments. Derivatives are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

The changes in the fair value of derivatives are recognised immediately in the profit or loss as finance income or finance cost.

Tenant deposits. Tenant deposits represent advances made by lessees as guarantees during the lease period and are repayable by the Group upon termination of lease contracts. Tenant deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method. Any difference between the amount at initial recognition and the redemption amount is treated as deferred revenue and amortised on a straight line basis over the period of the lease. The tenant deposit is subsequently measured at amortised cost and the interest expense is recorded over the period of the lease term within finance costs.

Income tax. Income tax has been provided for in the consolidated financial statements in accordance with tax legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised directly in other comprehensive income or directly in equity because it relates to transactions that are recognised, in the same or a different period, directly in other comprehensive income or directly in equity.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within general and administrative expenses and operating expenses of investment property.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, joint venture and associates, except where the Group controls the investee's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

The Group's strategy is that all investment property projects are directly or indirectly owned by Cyprus incorporated companies and these investment properties will, if necessary, be disposed through the disposal of shares of the Cyprus companies. Gains on disposal of shares are exempt from Cyprus income tax, therefore the Group does not recognise deferred tax liabilities on net gains arising from fair value adjustments on investment property. Refer to Note 4.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities.

The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of reporting period and any known Court or other rulings on such issues.

Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of reporting period.

Trade and other payables. Trade and other payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost, using the effective interest method.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Share capital and share premium. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium represents the excess of contribution received over the nominal value of shares issued. Share premium is not available for distribution by way of dividends.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Preference shares are classified as equity if, and only if, both conditions (a) and (b) below are met: (a) the shares include no contractual obligation (i) to deliver cash or another financial asset to another entity, or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer, and (b) the shares will or may be settled in the issuer's own equity instruments and the shares are (i) non-derivatives that include no contractual obligation for the issuer to deliver a variable number of its own equity instruments, or (ii) derivatives that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Dividends. Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Revenue and expense recognition. Revenue comprises the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

Rental revenue. Rental revenue is recorded in the profit or loss on a straight-line basis over the lease term. Rental revenue received in advance is recognised as deferred rental income in the consolidated statement of financial position.

Operating expenses of investment property. The operating expenses associated with investment properties are charged to the profit or loss as incurred. These expenses include only expenses that directly refer to investment property which generated rental income during the year.

Interest income and expenses. Interest income and expenses are recorded using the effective interest method.

Other income and expenses. All other income and expense items are generally recorded on an accruals basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid and unpaid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group and are included in general and administrative expenses. Group companies do not operate their own pension schemes.

Share based payments plan. As discussed in Note 23 certain directors of the Company are entitled to the share based payments plan. The Group has a liability to settle the plan in cash and therefore the plan is accounted for as a cash-settled share based payment transaction. The calculation of the plan related liabilities and expense are based on (1) vesting period, (2) estimated fair value of the unit options, (3) the number of unit options expected to satisfy vesting conditions, and (4) estimated timing of exercise of the unit options. At each end of the reporting period the plan related liability is remeasured to its fair value through profit or loss to the extent the award is vested. The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date.

Foreign currency translation. Monetary assets and liabilities are translated into each entity's functional currency at the exchange rate at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into functional currency at period-end official exchange rates are recognised in the profit and loss as foreign exchange differences.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Translation at period-end rates does not apply to non-monetary items, which are translated at the exchange rate at the date of the transaction. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Translation from functional to presentation currency. The results and financial position of each Group entity are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate at the end of the respective reporting period;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- (iii) components of equity are translated at the historical rate; and
- (iv) all resulting exchange differences are recognised separately in other comprehensive income.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform presentation to the current year amounts:

<i>In thousands of US Dollars</i>	As originally presented for the year ended 31 December 2012	Reclassification	As reclassified for the year ended 31 December 2012
General administrative expenses	30 661	(2 393)	28 268
Other operating expenses	2 896	2 393	5 289

The above reclassification was made to improve presentation and comparability of the information based on the users experiences.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Valuation of investment properties. Refer to Note 24.

Deferred taxation of fair value adjustment on investment property. Each investment property of the Group is held through a separate Cypriot holding company. The disposal of the investment properties is expected to be performed through disposal of the shares in such Cypriot holding companies. Taking into consideration the current structure of the Group, such disposal of shares will not be taxable. Therefore the Group has not recorded deferred taxation in relation to fair value adjustment on the investment properties since the date of acquisition of the respective properties.

The above accounting policy was adopted by the Group following its formation in 2010 and on the basis of IFRS pronouncements and their interpretations available at that date. The management of the Group believes that subsequent changes in such pronouncements and their current interpretations still allow the Group to use the above accounting policy. If IFRS guidance in this area changes, the Group will consider the need to revise its policy at that point in time.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies
(Continued)

If the Group recorded deferred taxation in relation to the fair value adjustments on investment properties, the profit for the year ended 31 December 2013 would have been lower by USD 57 284 thousand (profit for the year ended 31 December 2012 would have been lower by USD 761 thousand) and equity at 31 December 2013 would have been lower by USD 117 950 thousand (equity at 31 December 2012 would have been lower by USD 65 373 thousand).

Increase in property tax. A new law which increases property tax on office buildings and shopping centers in Russia became effective on 1 January 2014. Based on the new law the tax base of such properties will be their cadastral value and not book value. As a result the property tax may significantly increase. In accordance with market practice most of the property taxes paid are reimbursed to the Group by the tenants. The management has considered the impact of the changes in the legislation on the valuations of the investment properties which are prepared based on discounted cash flows models. Based on the observations of the market reaction to the changes the management considered the impact of the changes in the estimation of the future rental rates used for the valuation purposes.

Functional currencies of different entities of the Group. Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations. This determination of what the specific underlying economic conditions are requires judgment. In making this judgment, the Group evaluates among other factors, the location of activities, the sources of revenue and expense, risks associated with activities, and denomination of currencies of operations of different entities.

The Group concluded that the functional currency of O1 Properties Limited, the parent company of the Group, is the US Dollar, the currency in which (1) funds are obtained and invested, (2) receipts from activities are retained, (3) the business risks and exposures are measured and (4) performance of the business is measured. The Group concluded that the functional currency of the property holding subsidiaries of the Group is the Russian Rouble since the primary economic environment in which these entities generate and spend cash is the Russian Federation where the properties are located. The Group concluded that the functional currency of other, mainly financing, subsidiaries of the Group is either the Russian Rouble or the US Dollar depending on their operations. The above analysis and conclusions were based on consideration of own activities of respective entities and not on the basis of consideration of activities of their subsidiaries, if any.

Given the significant exposure of the Group to the economy and markets of the Russian Federation, the alternative to the US Dollar functional currency of the Company and some of its subsidiaries would have been the Russian Rouble. In such case the Company and respective subsidiaries would have recorded foreign exchange translation gains less losses related to the US Dollar balances in the profit or loss.

Tax, currency and customs legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 23.

Contribution from shareholder through sale of subsidiary. In 2012 the Group sold a 100% interest in CJSC "Horus Capital" to a company controlled by the Ultimate Controlling Shareholder (Note 1) for USD 10 thousand (Note 27). The result of this transaction with the owner in its capacity as owner was recorded directly in retained earnings and translation reserve in the total net amount of USD 8 466 thousand. If this transaction was not accounted for as transaction with the owner in its capacity as owner the gain from the disposal in the amount of USD 8 482 thousand would have been recorded in the profit or loss and related reduction of translation reserve in the amount of USD 16 thousand would have been recorded through other comprehensive income.

Acquisitions of investment property. The Group concluded that the acquisitions of subsidiaries holding properties during 2013 and 2012 constituted acquisition of assets and liabilities rather than acquisition of businesses as defined in IFRS 3 "Business combinations". The Group purchased assets and not the accompanying processes. The Group identified and recorded the individual identifiable assets acquired and liabilities assumed. The purchase price was allocated to those assets and liabilities on the basis of their relative fair values at the date of acquisition. The Group has not recorded any goodwill and deferred taxation arising from the assets acquired and liabilities assumed as no business combination was recognised. Also, no deferred taxation was recorded as a result of acquisitions paid by shares of the Company since future disposal of the assets acquired will not be taxable (refer to "Deferred taxation of fair value adjustments on investments property" above).

5 Adoption of New or Revised Standards and Interpretations

At the date of the authorisation of the Group's consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that were effective at 1 January 2013 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

During the year ended 31 December 2013 the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2013. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of the Group's consolidated financial statements the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Adopted by the European Union

New standards

IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).

IFRS 11 "Joint Arrangements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).

IFRS 12 "Disclosure of Interest in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).

IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014).

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014).

Amendments

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2014).

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014).

Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014).

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014).

(ii) Not adopted by the European Union

New standards

IFRS 9 "Financial Instruments: Classification and Measurement".

IFRS 14 "Regulatory Deferral Accounts" (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).

5 Adoption of New or Revised Standards and Interpretations (Continued)

Amendments

Amendments to IAS 19 – Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014).

Annual improvements

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below).

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

The Group is currently assessing the impact of the new accounting pronouncements on its consolidated financial statements.

6 Segment Information

The Group determined that its Chief Operating Decision Maker ("CODM") is the Board of Directors of the Company.

For the CODM purposes all activities of the Group are presented on the basis of three major operating segments:

- Yielding property – representing completed operating investment properties leased to third parties.
- Newly completed property – representing substantially completed investment properties currently actively marketed and in the process of being leased out. At 31 December 2013 and 2012 there was no property within this category.
- Property under development – representing investment properties which are currently in the process of development or expected to be developed in the near future.

Segment performance and breakdowns of assets and liabilities, income and expenses are reviewed by the management of the Group on a regular basis. Segment assets and liabilities, income and expense are reported to the management of the Group net of inter-segment balances and turnovers.

From a strategic financial perspective the Board of Directors monitors/relies on analysis of certain items in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position broken down by each operating segment. The following items are reviewed by the CODM: fair value of investment property, VAT receivable, cash and cash equivalents, non-current and current borrowings, net rental income, net gain from fair value adjustment on investment property and net finance costs.

The CODM evaluates performance of operating segments based on the net rental income, net gain from fair value adjustment on investment property and net finance costs.

The semi-annual and annual information reported to the CODM is prepared in accordance with the IFRS accounting policies used by the Group for the preparation of its consolidated financial statements.

Regular review of financial position and results of the Group's subsidiaries in accordance with management accounting and Russian accounting standards is delegated to the individual management teams.

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

6 Segment Information (Continued)

Segment information for reportable segments of the Group and reconciliation of such information to the Group's IFRS consolidated financial statements at and for the year ended 31 December 2013 are set out below:

<i>In thousands of US Dollars</i>	Yielding property	Property under development	Unallocated items	Total
Non-current assets				
Investment property	4 119 688	52 812	-	4 172 500
VAT receivable	9 028	441	-	9 469
Investment in joint venture	-	13 028	-	13 028
Other non-current assets	-	-	45 338	45 338
Total non-current assets	4 128 716	66 281	45 338	4 240 335
Current assets				
VAT receivable	885	429	-	1 314
Cash and cash equivalents	71 750	276	3 855	75 881
Assets available for sale	-	-	16 025	16 025
Other current assets	-	-	349 176	349 176
Total current assets	72 635	705	369 056	442 396
TOTAL ASSETS	4 201 351	66 986	414 394	4 682 731
Liabilities				
Non-current borrowings	2 475 758	12 027	176 920	2 664 705
Current borrowings	122 523	221	10 363	133 107
Other liabilities	-	-	202 750	202 750
TOTAL LIABILITIES	2 598 281	12 248	390 033	3 000 562
Net rental income	292 210	-	-	292 210
Net gain/(loss) from fair value adjustment on investment property	293 542	(7 120)	-	286 422
Net finance costs recognised in profit or loss	(161 399)	(1 440)	(6 507)	(169 346)
Share of result of associate	-	4 131	-	4 131
Share of result of joint venture	-	3 950	-	3 950
Other income and expense	-	-	(176 471)	(176 471)
Profit/(loss) before income tax	424 353	(479)	(182 978)	240 896

Refer to Notes 8 and 27 for the information on the capital expenditures.

O1 Properties Group**Notes to the Consolidated Financial Statements - 31 December 2013****6 Segment Information (Continued)**

Segment information for reportable segments of the Group and reconciliation of such information to the Group's IFRS consolidated financial statements at and for the year ended 31 December 2012 are set out below:

<i>In thousands of US Dollars</i>	Yielding property	Property under development	Unallocated items	Total
Non-current assets				
Investment property	2 639 912	-	-	2 639 912
VAT receivable	6 984	-	-	6 984
Investment in associate	-	10 199	-	10 199
Other non-current assets	-	-	53 525	53 525
Total non-current assets	2 646 896	10 199	53 525	2 710 620
Current assets				
VAT receivable	17 131	-	-	17 131
Cash and cash equivalents	32 740	-	22 029	54 769
Non-current assets classified as held for sale (Note 13)	-	-	343 285	343 285
Other current assets	-	-	45 232	45 232
Total current assets	49 871	-	410 546	460 417
TOTAL ASSETS	2 696 767	10 199	464 071	3 171 037
Liabilities				
Non-current borrowings	1 398 394	-	5 113	1 403 507
Current borrowings	252 370	-	28 726	281 096
Liabilities directly associated with non-current assets classified as held for sale (Note 13)	-	-	204 116	204 116
Other liabilities	-	-	205 285	205 285
TOTAL LIABILITIES	1 650 764	-	443 240	2 094 004
Net rental income	144 305	-	-	144 305
Net gain from fair value adjustment on investment property	3 804	-	-	3 804
Net finance costs recognised in profit or loss	(124 652)	-	(2 109)	(126 761)
Share of result of associate	-	(168)	-	(168)
Share of result of joint venture	-	3 103	-	3 103
Other income and expense	-	-	53 197	53 197
Profit before income tax	23 457	2 935	51 088	77 480

As the Group's activities are concentrated in Moscow, the Group's portfolio of investment property is not geographically diversified. Investment decisions of the CODM are based on analysis of the local Moscow market and on the adequacy of a building within its local environment in terms of location, size and quality.

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In thousands of US Dollars</i>	Premises	Computers	Office equipment	Total
Carrying amount at 1 January 2012	-	78	1 900	1 978
Additions	-	321	842	1 163
Revaluation loss (recorded in profit or loss)	(270)	-	-	(270)
Depreciation charge (Note 18)	(218)	(96)	(86)	(400)
Transfer from investment property (Note 8)	21 052	-	-	21 052
Disposals (Note 27)	-	-	(1 369)	(1 369)
Effect of translation to presentation currency	1 549	22	(389)	1 182
Carrying amount at 31 December 2012	22 113	325	898	23 336
Cost at 31 December 2012	22 336	454	1 181	23 971
Accumulated depreciation	(223)	(129)	(283)	(635)
Carrying amount at 31 December 2012	22 113	325	898	23 336
Additions	-	85	84	169
Revaluation gain (recorded in other comprehensive income)	3 619	-	-	3 619
Depreciation charge (Note 18)	(429)	(193)	(202)	(824)
Disposals	-	-	(15)	(15)
Effect of translation to presentation currency	(1 582)	(21)	(52)	(1 655)
Carrying amount at 31 December 2013	23 721	196	713	24 630
Cost at 31 December 2013	24 455	492	1 122	26 069
Accumulated depreciation	(734)	(296)	(409)	(1 439)
Carrying amount at 31 December 2013	23 721	196	713	24 630

Premises represent the owner's occupied area of Lighthouse building (Note 8).

The premises were last revalued at 31 December 2013 by independent firm of valuers Cushman & Wakefield. The valuation was made on the basis of the income approach.

At 31 December 2013 and 2012 premises with carrying value of USD 23 721 thousand (2012: USD 22 113 thousand) were pledged as collateral with respect to borrowings (Note 14).

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

8 Investment Property

<i>In thousands of US Dollars</i>	Note	2013	2012
Total investment property at 1 January		2 639 912	2 012 148
Acquisition	27	1 462 778	757 302
Capitalised finance costs and foreign exchange translation gains less losses	19	-	14 188
Subsequent expenditure		14 341	44 138
Transfer to non-current assets classified as held for sale	13	-	(318 073)
Transfer to property, plant and equipment	7	-	(21 052)
Fair value adjustment		286 422	3 804
Effect of translation to presentation currency		(230 953)	147 457
Total investment property at 31 December		4 172 500	2 639 912

The investment property represents land and office buildings located in Moscow, Russia. Land is leased from the Moscow City Authorities under renewable operating leases (from 1 to 46 years).

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

8 Investment Property (Continued)

Investment property comprises the following premises intended for use as Class A, Class B+ and Class B office accommodation:

Property name	Note	31 December 2013		31 December 2012	
		Net rentable area (square metres)	Amount (in thousands of US Dollars)	Net rentable area (square metres)	Amount (in thousands of US Dollars)
WHITE SQUARE - Lesnaya Str., 5, Butyrsky Val st., 10	27	76 472	1 000 600	-	-
LeFORT - Elektrozavodskaya Str., bldg. 1, 1A, 2, 3, 3A, 3D, 4-11, 27		56 170	265 800	56 169	261 400
KRUGOZOR - Obrucheva Str., 30/1, bldg. 1-3		50 951	371 100	50 951	358 900
VIVALDI PLAZA - Letnikovskaya Str., 2, bldg. 1-3		48 014	444 500	48 014	417 700
SILVER CITY - Serebryanicheskaya Emb., 29	27	41 884	354 800	41 766	361 700
LEGENDA TSVETNOGO - Tsvetnoy Boulevard, 2	27	40 306	415 500	-	-
LESNAYA PLAZA - 4th Lesnoy Lane, bldg. 4		39 691	293 600	39 710	283 100
STANISLAVSKY FACTORY - Stanislavskogo Str.21, bldg. 1-3, 5, 16-20		34 499	252 300	34 345	255 500
DUCAT III - Gasheka Str., 6	27	33 462	412 500	32 817	380 100
GREENDALE - Oktyabrskaya Str., 98	27	under development	33 500	-	-
LIGHTHOUSE - Valovaya Str., 26		27 508	259 400	27 405	241 800
KUTUZOV - Vasilisa Kozhina Str., 25	27	under development	18 200	-	-
AVION - Leningradsky Prospect, 47, bldg. 2, 3		18 513	97 700	18 429	106 700
Total fair value of property per valuation reports		467 470	4 219 500	349 606	2 666 900
Less: Reclassification of owner occupied premises in LIGHTHOUSE	7		(23 721)		(22 113)
Total investment property at fair value			4 195 779		2 644 787
Add: Finance lease liabilities accounted for separately	14		16 003		12 562
Less: Straight line adjustment on rental income accounted for separately	11		(39 282)		(17 437)
Total carrying value of investment property			4 172 500		2 639 912

8 Investment Property (Continued)

At 31 December 2013 and 2012 the valuation of investment property was carried out by the independent firm of valuers Cushman & Wakefield. The basis used for the valuation was mainly the income approach using the discounted cash flow technique. The critical assumptions used in the valuation are disclosed in Note 24.

IAS 40 requires the fair value of investment property to exclude prepaid lease income because the entity recognises it as a separate liability. The Group already considered the prepaid lease income in determining the fair value of investment property and thus no additional adjustment for deferred rental income is required to arrive to the carrying value of investment property.

At 31 December 2013 investment properties with fair value of USD 4 144 079 thousand (2012: USD 2 644 787 thousand) have been pledged as collateral with respect to the borrowings (Note 14).

The minimum future rental income of the Group under non-cancellable operating leases (including those relating to the investment property classified as non-current assets held for sale) was as follows:

<i>In thousands of US Dollars</i>	31 December 2013	31 December 2012
- Not later than one year	396 883	293 460
- Later than 1 year and not later than 5 years	1 229 851	911 854
- Later than 5 years	244 484	372 394
Total future rental income	1 871 218	1 577 708

At 31 December 2013 future rental income in the amount of USD 1 871 218 thousand (2012: USD 1 577 708 thousand) has been pledged as collateral with respect to the borrowings (Note 14).

9 Investments in Associate and Joint Venture

Investment in associate. Investment in associate was represented by the Group's investment in 50% of Taavo Enterprises Limited. Refer to Note 27 for the information on acquisition of additional interest and control in Taavo Enterprises Limited during 2013. At 31 December 2012 consolidated assets of Taavo Enterprises Limited amounted to USD 30 148 thousand and consolidated liabilities amounted to USD 9 750 thousand. Taavo Enterprises Limited is involved in construction of Greendale property (Note 8).

<i>In thousands of US Dollars</i>	2013	2012
Total investment in associate at 1 January	10 199	9 781
Acquisition of associate	-	-
Share of result of associate	4 131	(168)
Share of other comprehensive income of associate	(529)	586
Transfer to subsidiary (Note 27)	(13 801)	-
Total investment in associate at 31 December	-	10 199

9 Investments in Associate and Joint Venture (Continued)

Investment in joint venture. Investment in joint venture is represented by the Group's investment in (1) 50% plus one share of Bayroad Group Limited acquired during 2012-2013 (Note 27) and (2) 50% plus one share of Solorita Holding Limited.

<i>In thousands of US Dollars</i>	2013	2012
Total investment in joint venture at 1 January	-	-
Acquisition of joint venture (Note 27)	6 295	3 045
Additional investment	3 319	
Share of result of joint venture	3 950	3 103
Share of other comprehensive income of joint venture	(536)	147
Disposal of joint venture (Note 27)	-	(6 295)
Total investment in joint venture at 31 December	13 028	-

The main financing and operating decisions of Bayroad Group Limited and Solorita Holding Limited require unilateral approval of the shareholders. Investment of the Group in Bayroad Group Limited and Solorita Holding Limited was classified as joint venture (jointly controlled entity) and accounted for in these consolidated financial statements using the equity method of accounting.

Solorita Holding Limited, Bayroad Group Limited and their subsidiaries are involved in the construction of the Bolshevik property in Moscow. At 31 December 2013 consolidated total assets of Solorita Holding Limited, Bayroad Group Limited and their subsidiaries amounted to USD 258 075 thousand, represented mainly by investment property under development and the total consolidated liabilities amounted to USD 232 071 thousand represented mainly by borrowings. At 31 December 2013 capital commitments of the joint venture approximated USD 94 252 thousand.

10 Loans Issued

<i>In thousands of US Dollars</i>	31 December 2013	31 December 2012
Loans issued - due in more than 12 months	16 615	23 032
Loans issued - current portion	1 564	504
Total loans issued	18 179	23 536
Loans issued to related parties (Note 26)	16 615	504
Loans issued to other companies	1 564	23 032
Total loans issued	18 179	23 536

At 31 December 2013 and 2012 loans issued were neither past due nor impaired, were not secured, were denominated in USD and RR, had maturity dates from 31 January 2014 to 31 December 2019 and fixed interest at rates from 6.0 % to 10.35% per annum.

The fair value of loans issued is disclosed in Note 24.

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

11 Trade and Other Receivables

<i>In thousands of US Dollars</i>	31 December 2013	31 December 2012
Rent receivable	3 204	10 774
Straight-line adjustment on rental income (Note 8)	39 282	17 437
Receivables for sale of subsidiaries	6 244	-
Receivables for sale of investment in joint venture (Note 27)	-	6 295
Receivables from shareholders (Notes 16 and 28)	225 001	-
Receivables from related parties (Note 26)	1 011	482
Receivable for loan assignment	9 046	-
Other receivables	3 022	2 665
Total trade and other receivables	286 810	37 653

All trade and other receivables balances are neither past due nor impaired except as disclosed in the table below:

<i>In thousands of US Dollars</i>	31 December 2013	31 December 2012
<i>Past due but not impaired</i>		
- less than 30 days overdue	1 271	7 240
- 30 to 90 days overdue	404	1 700
- 91 to 180 days overdue	318	481
- 181 to 360 days overdue	372	118
- over 360 days overdue	519	39
Total past due but not impaired	2 884	9 578

The above balances are not impaired since they are secured by the tenants deposits.

The fair value of trade and other receivables is disclosed in Note 24.

12 Cash and Cash Equivalents

<i>In thousands of US Dollars</i>	31 December 2013	31 December 2012
Cash on hand	7	6
Current and demand accounts	75 864	28 478
Deposits with banks	10	26 285
Total cash and cash equivalents	75 881	54 769

12 Cash and Cash Equivalents (Continued)

Analysis of cash balances with banks by credit ratings at respective dates was as follows:

<i>In thousands of US Dollars</i>		31 December 2013	31 December 2012
<i>Neither past due nor impaired</i>			
B	Fitch Ratings, Standard & Poor's	1 724	23 710
BBB	Fitch Ratings, Standard & Poor's	46 198	16 935
Baa3	Moody's	107	1 668
Caa2	Moody's	660	4 179
A+	Fitch Ratings	2 332	3 812
BBB+	Fitch Ratings	16 155	3 080
BB	Fitch Ratings	-	935
A	Fitch Ratings	328	221
BB-	Fitch Ratings	624	79
BBB-	Fitch Ratings	5 913	14
B-	Fitch Ratings	-	7
RD	Fitch Ratings	1 273	-
AAA	Fitch Ratings	36	-
Other	Fitch Ratings	524	123
Total cash balances with banks		75 874	54 763

Information on the balances with the related parties is disclosed in Note 26.

13 Non-current Assets Classified as Held for Sale

At 31 December 2012 non-current assets classified as held for sale represented balances of subsidiaries related to Olympia property sold in 2013 (Note 27).

<i>In thousands of US Dollars</i>	31 December 2012
Investment property (Note 8)	318 073
Prepayments and deferred expenses	2 440
VAT receivable	16 358
Trade and other receivables	1 419
Cash and cash equivalents	4 995
Total non-current assets classified as held for sale	343 285
Borrowings	(188 617)
Tenant deposits	(4 089)
Deferred rental income	(7 267)
Trade and other payables	(4 143)
Total liabilities directly associated with non-current assets classified as held for sale	(204 116)

At 31 December 2012 investment property classified as held for sale with carrying value of USD 318 073 thousand was pledged as collateral with respect to borrowings (Note 14).

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

14 Borrowings

<i>In thousands of US Dollars</i>	31 December 2013	31 December 2012
Non-current borrowings		
Loans from banks	2 374 760	1 387 044
Loans from related parties	-	1 273
Loans from other companies and individuals	1 070	3 868
Rouble bonds financing	176 921	-
Redeemable preference shares	97 604	-
Finance lease liabilities	14 350	11 322
Total non-current borrowings	2 664 705	1 403 507
Current borrowings		
Loans from banks	118 250	236 691
Loans from related parties	8 666	26 273
Loans from other companies and individuals	2 080	16 892
Redeemable preference shares	2 458	-
Finance lease liabilities	1 653	1 240
Total current borrowings	133 107	281 096
Total borrowings	2 797 812	1 684 603

Rouble bonds financing represents funding received by the Group as a result of issue by a company controlled by the Ultimate Controlling Shareholder of Rouble bonds guaranteed by the Company.

Redeemable preference shares balance represents the financial liability element of preference shares of Afelmor Overseas Limited ("Afelmor", a subsidiary of the Group holding White Square property (Notes 8 and 27)). The redeemable preference shares: (1) have minimum cumulative dividends of 6% per annum payable quarterly until December 2014 (7% per annum after December 2014) in priority to any other distribution, (2) have voting rights, (3) give the holder a right to require Afelmor to redeem all the redeemable preference shares for the calculatable amount during the period from March 2015 to December 2015 or if any of the specified events occur, (4) give the Group a right to require the holder to sell all of the redeemable preference shares to Afelmor for the calculatable amount during the period from December 2015 to December 2016, (5) are automatically convertible into ordinary shares of Afelmor in December 2016.

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

14 Borrowings (Continued)

The detailed information on borrowings at 31 December 2013 is presented below:

Name of Lender	Facility	Carrying amount in thousands of US Dollars	Currency	Contractual interest rate, % per annum	Repayment terms	Investment property pledged
Sberbank Russia	Facility Agreement dated 5 December 2012	684 254	USD	3 months LIBOR + 6.6%	payable quarterly by quarterly installments by 5 December 2019	WHITE SQUARE
Sberbank Russia	Facility Agreement dated 20 March 2013	282 222	USD	3 months LIBOR + 6.2%	payable quarterly by quarterly installments by 20 March 2020	VIVALDI PLAZA
Sberbank Investments Limited (Cyprus)	Subscription and Shareholders' Agreement dated 5 December 2012	100 062	USD	15.0%	payable quarterly	-
Aareal Bank	Facility Agreement dated 20 July 2007	454 932	USD	8.18%	payable quarterly by quarterly installments by 15 June 2017	KRUGOZOR, STANISLAVSKY FACTORY, LeFORT
VTB Capital Plc	Facility Agreement dated 20 July 2012	221 542	USD	3 months LIBOR + 8.0%	payable quarterly by 2 August 2020	SILVER CITY
VTB Capital (France) S.A	Facility Agreement dated 30 December 2011	156 974	USD	3 months LIBOR + 6.05%	payable quarterly by quarterly installments by 5 July 2017	LESNAYA PLAZA
VTB Bank (Deutschland) AG	Facility Agreement dated 29 May 2013	150 492	USD	7.0%	payable quarterly by quarterly installments by 23 October 2019	LIGHTHOUSE
UniCredit Bank AG London	Facility Agreement dated 3 June 2013	235 981	USD	3 months LIBOR + 5.0%	payable quarterly by 1 December 2018	DUCAT III
Gazprombank	Facility Agreement dated 16 December 2013	233 414	USD	3 months LIBOR + 5.25%	payable quarterly by quarterly installments by 16 December 2019	LEGENDA TSVETNOGO
Rouble bonds financing	Agreement dated 7 August 2013	176 921	RR	12.0%	semiannual by 12 August 2016	-
Alfa Bank	Facility Agreement dated 26 November 2012	63 196	USD	3 months LIBOR + 7.4%	payable monthly by quarterly installments by 25 November 2022	AVION
Credit Europe Bank	Facility Agreement dated 14 August 2012	10 002	USD	9.5%	payable monthly by 12 August 2016	-
Other		11 817				
Finance lease liabilities		16 003	RR			
Total borrowings		2 797 812				

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

14 Borrowings (Continued)

The detailed information on borrowings at 31 December 2012 is presented below:

Name of Lender	Facility	Carrying amount in thousands of US Dollars	Currency	Contractual interest rate, % per annum	Repayment terms	Investment property pledged
Aareal Bank	Facility Agreement dated 20 July 2007	472 886	USD	8.18%	payable quarterly by quarterly installments by 15 June 2017	
Aareal Bank	Facility Agreement dated 20 July 2007	15 482	USD	3 month LIBOR + 5.1%	payable quarterly by 15 June 2017	
Aareal Bank	Facility Agreement dated 20 July 2007	681	USD	8.18%	payable quarterly by 15 June 2017	KRUGOZOR, STANISLAVSKY FACTORY, LeFORT
VTB Capital Plc	Facility Agreement dated 30 December 2011	151 513	USD	3m LIBOR + 6.25% + 4.35% (capitalised interest)	payable quarterly by 30 December 2014	SILVER CITY
VTB Capital Plc	Facility Agreement dated 20 July 2012	221 091	USD	3m LIBOR + 8.0%	payable quarterly by 20 July 2017	SILVER CITY
VTB Capital (France) S.A	Facility Agreement dated 30 December 2011	144 734	USD	3 month LIBOR + 5.5%	payable quarterly by quarterly installments by 5 July 2017	LESNAYA PLAZA
UniCredit Bank Austria AG	Facility Agreement dated 31 October 2007	7 955	USD	1 month LIBOR+ 3.25%	payable monthly by 31 December 2013	-
UniCredit Bank Austria AG	Facility Agreement dated 31 October 2007	184 126	USD	3 month LIBOR + 4.05%	payable quarterly by 31 December 2013	VIVALDI PLAZA
UniCredit Bank Austria AG	Facility Agreement dated 30 May 2011	202 306	USD	3 month LIBOR + 5.25%	payable quarterly by 30 November 2016	DUCAT III
Otkritie FC	Facility Agreement dated 17 March 2008	24 208	USD	9.0%	payable at maturity date by 31 December 2013	-
TransCredit Bank	Facility Agreement dated 6 June 2012	137 858	USD	3 months LIBOR + 8.25%	payable monthly by 5 June 2017	LIGHTHOUSE
Credit Europe Bank	Facility Agreement dated 14 August 2012	10 008	USD	9.5%	payable monthly by 15 February 2013	-
Railways Development	Facility Agreement dated 8 November 2012	15 265	USD	12.0%	payable at maturity date by 8 November 2013	-
Alfa Bank	Facility Agreement dated 26 November 2012	75 095	USD	3m LIBOR+7.4%	payable monthly by 25 November 2022	AVION
Other Finance lease liabilities		8 833 12 562				
Total borrowings		1 684 603				

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

14 Borrowings (Continued)

Refer to Note 1 for the information on shares of subsidiaries of the Group pledged in relation to borrowings.

At 31 December 2013 the undrawn facilities totalled USD 52 740 thousand (2012: nil).

The Group is subject to a number of financial covenants related to its borrowings including the following key ratios and indices:

- Loan to Value Ratios – represented by different types of ratios expressed as a percentage of the aggregate loans outstanding under the specific credit facility (subject to certain adjustments and depending on the amount of the committed loan facility) to the aggregate market value of a specific property or the property portfolio according to the most recent valuation;
- Debt Service Cover Ratios - represented by different types of ratios expressed as a percentage of the net rental income of the Group or its subsidiaries for the specified period to the aggregate of principal, interest and other amounts payable under the specific credit facility for the same period;
- Equity ratios – expressed as a percentage of total equity to the aggregate amount of debt;
- Minimum amounts of total equity; and
- Other covenants.

The Group is also subject to compliance with a number of various non-financial covenants.

The Group was in compliance with covenants at 31 December 2013 and 2012.

The finance lease liabilities are related to operating land lease. The reconciliation between the total future minimum lease payments and their present value is set out below:

<i>In thousands of US Dollars</i>	31 December 2013	31 December 2012
Minimum lease payments:		
- not later than one year	1 697	1 290
- later than 1 year and not later than 5 years	7 241	5 367
- later than 5 years	56 475	46 379
Total minimum lease payments	65 413	53 036
Less future finance charges	(49 410)	(40 474)
Present value of minimum lease payments	16 003	12 562

At 31 December 2013 the interest rate implicit in the leases was 11.3% (2012: 11.2%). The fair value of borrowings is disclosed in Note 24.

15 Trade and Other Payables and Other Liabilities

<i>In thousands of US Dollars</i>	31 December 2013	31 December 2012
Payables for expenditure on investment properties	11 706	9 904
Prepayment from tenant for fit out	-	23 317
Payables for acquisition of additional share in subsidiaries and associates	-	4 000
VAT and taxes payables other than on income	16 156	13 727
Accrued employees compensation	8 200	3 600
Advance received for sale of non-current assets classified as held for sale (Note 13)	-	3 000
Payables to shareholder	-	2 331
Payables for professional fees	3 631	3 474
Other	2 208	4 582
Total trade and other payables and other liabilities	41 901	67 935

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

16 Share Capital and Share Premium

Share capital issued and fully paid comprises:

<i>In thousands of US Dollars</i>	Number of ordinary shares issued	Number of redeemable preference shares issued	Number of class "A" shares issued	Number of class "B" shares issued	Nominal amount	Share premium	Total
Balance at 1 January 2012	13 000	-	-	-	18	468 566	468 584
Share split	1 287 000	-	-	-	-	-	-
New ordinary shares issued	48 893 544	-	-	-	650	2 680	3 330
New redeemable preference shares issued (Note 27)	-	16 790	-	-	-	167 900	167 900
Balance at 31 December 2012	50 193 544	16 790	-	-	668	639 146	639 814
New redeemable preference shares issued	-	20 200	-	-	-	202 000	202 000
New class "B" shares issued	(50 193 544)	(36 990)	20 418 480	11 503 068	151	224 849	225 000
Share capital restructuring	-	-	-	50 193 544	204	-	204
Share issue to top management	-	-	-	199 120	2	5 125	5 127
Balance at 31 December 2013	-	-	20 418 480	61 895 732	1 025	1 071 120	1 072 145

16 Share Capital and Share Premium (Continued)

2013 events. On 9 June 2013 the Company issued 20 200 redeemable preference shares to Nori Holding Limited (Note 1) with nominal value of USD 0.01 and share premium of USD 9,999.99 per share. These shares were issued in consideration for Nori Holding Limited transferring 100% of the shares in White Estates Investments Limited (Note 27, Acquisition of White Square).

In June 2013 the shareholders of the Company approved a share capital restructuring whereby: (1) authorized 37 500 redeemable preference shares of nominal value USD 0.01 each were converted and reorganized into 20 700 000 class "A" shares with a nominal value USD 0.01 each, (2) authorized 200 000 000 ordinary shares of nominal value EUR 0.01 each were converted into 200 000 000 class "B" shares with a nominal value EUR 0.01 each, (3) the issued 36 990 redeemable preference shares of USD 0.01 each were converted into 36 990 class "A" shares with a nominal value of USD 0.01 each, (4) issued 50 193 544 ordinary shares with a nominal value EUR 0.01 each were converted into 50 193 544 class "B" shares with a nominal value EUR 0.01 each, and (5) additional 20 381 490 class "A" shares with a nominal value USD 0.01 each were issued from the authorized share capital and allotted to Nori Holding Limited.

In accordance with the Articles of Association of the Company class "A" shares (1) do not have voting rights, (2) are entitled to non-cumulative quarterly dividends at the absolute discretion of directors of the Company not exceeding USD 2.17 per share p.a. and in priority to other shares, (3) receive maximum USD 18.11 per share upon liquidation and (4) give the holder the right to convert its class "A" shares into the same number of class "B" shares subject to payment of an exchange amount calculated by the Company. Class "B" shares (1) have voting rights, (2) may receive dividends only if at least minimum amount of dividends has been distributed to the holders of class "A" shares within the same period, and (3) are entitled to distributions upon liquidation.

In June 2013 certain members of top management of the Group or their affiliates subscribed for 347 354 class "B" shares of the Company at their nominal value. The shares are to be registered in the name of respective shareholders in instalments during period from 29 June 2013 until 1 January 2015. The unregistered instalments may not be registered only in case of dismissal of the relevant member of management of the Group due to gross negligence in performing his duties. This subscription was recorded in equity at the fair value of the shares subscribed at the date of subscription and partially represented performance based remuneration of the top management accrued at 31 December 2012 in the amount of USD 3 600 thousand. Refer to Note 28.

On 30 December 2013 the Company issued to Centimila Services Ltd and Coniston Management Limited (Note 1) 11 503 068 class "B" shares (6 306 651 and 5 196 417 respectively) in exchange for consideration of USD 19.56 per share. Total consideration amounted to USD 225 000 thousand and was paid by promissory notes issued by Centimila Services Ltd and Coniston Management Limited with a total nominal value of USD 225 000 thousand repayable at sight but not earlier than 30 January 2014 and carrying no interest. The promissory notes are secured by a guarantee issued by O1 Group Limited, a company controlled by the Ultimate Controlling Shareholder (Note 1). Refer to Note 28 for information on the cash payments received for the promissory notes.

In March-April 2013 the Shareholders of the Company approved the payment of a dividend of USD 5 631 thousand to the holders of preference shares. In May-June 2013 the Shareholders of the Company approved the payment of a dividend of USD 18 658 thousand to the holders of ordinary shares. In September 2013 the Shareholders of the Company approved dividends in the amount USD 26 207 thousand on class "A" shares and USD 2 064 thousand on class "B" shares.

In 2014 the shareholders of the Company approved dividends in the amount USD 29 598 thousand on class "A" shares and USD 33 915 thousand on class "B" shares.

In April 2014 certain members of top management of the Group or their affiliates subscribed for 266 250 class "B" shares of the Company at their nominal value. The shares are to be registered in the name of respective shareholders in instalments during period from 17 April 2014 until 1 January 2016. The unregistered instalments may not be registered only in case of dismissal of the relevant member of management of the Group due to gross negligence in performing his duties. Refer to Note 28.

16 Share Capital and Share Premium (Continued)

2012 events. On 2 March 2012 the Company resolved that the authorised and issued share capital of the Company of EUR 13 thousand divided into ordinary 13 000 shares of EUR 1 each be subdivided into 1 300 000 ordinary shares of EUR 0.01 each. On the same date the Company resolved that the authorised share capital of the Company be increased from EUR 13 thousand divided into 1 300 000 shares of EUR 0.01 each to EUR 2 000 thousand divided into 200 000 000 shares of EUR 0.01 each.

On 2 March 2012 the Company issued 48 700 000 ordinary shares of EUR 0.01 each at a nominal value and 193 544 ordinary shares of EUR 0.01 each at a premium of EUR 10.4149 each. Total consideration amounted to EUR 2 505 thousand (USD 3 330 thousand).

On 5 December 2012 the Company resolved that the authorised share capital be increased from EUR 2 000 000, divided into 200 000 000 ordinary shares of nominal value EUR 0.01 each to EUR 2 000 000 and USD 173.00 divided into 200 000 000 ordinary shares of nominal value EUR 0.01 and 17 300 redeemable preference shares of nominal value of USD 0.01, through the creation of 17 300 new redeemable preference shares of nominal value USD 0.01 each.

On 6 December 2012 the Company issued 16 790 redeemable preference shares of USD 0.01 each at a premium of USD 9 999.99 each.

The redeemable preference shares (1) are convertible at the discretion of a holder in ordinary shares at specified conversion rate after 36 months from issuance, (2) are redeemable by the Company solely at its discretion at any time for amount equal nominal value plus premium or other capital on issuance and plus accumulated unpaid and due dividends, (3) have no voting rights, (4) carry 2.5% quarterly dividend payable at sole discretion and authorization of the Board of Directors of the Company, and (5) if the dividends on the redeemable preference shares are not paid then (a) unpaid dividends are accumulated for future payment, (b) the holders of the redeemable preference shares obtain voting rights until accumulated dividends on redeemable preference shares are not fully paid, and (c) no dividends may be paid on ordinary shares until accumulated dividends on the redeemable preference shares are fully paid.

On 27 December 2012 the Directors approved the payment of a dividend of USD 3 950 thousand to the holders of redeemable preference shares.

17 Net Rental Income

The net rental income for the year ended 31 December 2013 and 2012:

<i>In thousands of US Dollars</i>	Note	2013	2012
White Square	27	52 608	-
Krugozor		34 965	30 265
Silver City	27	35 782	15 470
Vivaldi Plaza		29 935	237
Lesnaya Plaza		30 002	27 440
Ducat III	27	27 660	6 392
LeFort		25 564	25 070
Stanislavsky Factory		23 890	24 388
Lighthouse		17 774	3 938
Avion		8 537	11 789
Olympia	27	2 977	(1 104)
Legenda Tsvetnogo	27	2 516	-
Gamma	27	-	420
Total net rental income		292 210	144 305

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

17 Net Rental Income (Continued)

The operating expenses for the year ended 31 December 2013 and 2012:

<i>In thousands of US Dollars</i>	2013	2012
Property management fees	11 859	9 587
Property tax	11 313	7 899
Cleaning and utilities	14 857	9 582
Repairs and maintenance	5 691	2 438
Security	4 082	2 595
Insurance	834	539
Other	927	1 251
Total operating expenses of investment property	49 563	33 891

18 General and Administrative Expenses and Other Operating Expenses

<i>In thousands of US Dollars</i>	Note	2013	2012
Employees compensation and related social contributions		22 549	12 914
Professional services		1 985	3 904
Taxes other than income		1 347	716
Premises related expenses		1 025	705
Bank fees		667	410
Depreciation of property, plant and equipment	7	824	400
Marketing and advertising		555	963
Information services		739	569
Travel		539	260
IPO related costs		-	4 762
Rent expenses (Znamenka)		-	603
Other		2 118	2 062
Total general and administrative expenses		32 348	28 268

The other operating expenses for the year ended 31 December 2013 and 2012:

<i>In thousands of US Dollars</i>	2013	2012
Impairment of assets available for sale (Note 27)	5 142	-
Professional services	5 357	1 463
Leasing commissions	825	930
Other impairment	-	931
Other	2 679	1 965
Total other operating expenses	14 003	5 289

Other operating expenses represent mainly incremental expenses related to administrating individual investment properties and related holding structures.

During 2013 the Company's statutory audit firm charged fees of USD 503 thousand (2012: USD 418 thousand) for audit services and fees of USD 90 thousand (2012: USD 40 thousand) for tax consultancy services.

IPO related costs represent professional services fees (legal, investment banking, valuation, accounting, etc.) incurred during preparation for a potential IPO of the Company planned but not completed in spring 2012.

Information on transactions with related parties is presented in Note 26.

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

19 Finance Income and Finance Costs

<i>In thousands of US Dollars</i>	Note	2013	2012
Interest income on loans issued		3 476	2 425
Net gain from derivatives		14 376	-
Total finance income		17 852	2 425
Interest expense on borrowings (excluding finance lease liability)		177 592	127 676
Interest expense on accretion of interest on tenants deposits		8 183	7 807
Finance charge on lease liabilities		1 423	1 146
Net loss from derivatives		-	6 745
Total finance cost		187 198	143 374
Less: costs capitalised in cost of investment property	8	-	(14 188)
Total finance cost recorded in profit or loss		187 198	129 186

In 2012 the Group capitalised borrowing costs arising on financing directly attributable to the development of investment property. The capitalisation rate was 9.8%.

Information on transactions with related parties is presented in Note 26.

20 Income Taxes

Income tax expense comprises the following:

<i>In thousands of US Dollars</i>	2013	2012
Current tax	7 897	12 355
Deferred tax	1 397	(714)
Income tax expense for the year	9 294	11 641

The income tax rate applicable to the majority of the Group's income (the Russian Federation) is 20%. The income tax rate on the Group's income in Cyprus is 12.5% (2012: 10%).

A reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of US Dollars</i>	2013	2012
Profit before income tax	240 896	77 480
Theoretical tax charge at the Company's statutory rate	30 112	7 748
- Net gain from fair value adjustment on investments property (Note 4)	(35 803)	(380)
- Unrecorded tax losses carried forward related to investment property operating companies	5 779	5 073
- Non-deductible expenses	20 973	4 101
- Non-taxable income	(14 265)	(8 259)
- Net impact of difference in tax rates in different jurisdictions	2 630	5 768
- Change in prior periods current tax provisions	-	(2 443)
- Other	(132)	33
Income tax expense for the year	9 294	11 641

20 Income Taxes (Continued)

Differences between IFRS and statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. As these differences relate to the activities in Russia and Cyprus the tax effect of the movement on these temporary differences is recorded at the rates of 20% or 12.5% respectively.

The Group does not record deferred income tax on the differences between the carrying amount of its investment property and its tax base. Refer to Note 4 for a detailed description of this critical accounting judgment.

Taking into consideration the current Group structure the management of the Group does not expect that the transfer of earnings from operating companies of the Group to the Company will result in material tax expenses and therefore no deferred taxation has been recorded in these consolidated financial statements in respect of investments in subsidiaries.

In accordance with IAS 12 "Income Taxes" the Group does not record deferred tax assets/liabilities arising from the initial recognition of assets/liabilities in a transaction which is (1) not a business combination, and (2) at the time of the transaction effects neither accounting profit nor taxable profit.

	1 January 2012	Credited/ (charged) to profit or loss	Effect of translatio n to presenta tion currency	31 December 2012	Credited/ (charged) to profit or loss	Effect of translatio n to presenta tion on currency	31 December 2013
<i>In thousands of US Dollars</i>							
Tax effect of taxable temporary differences/gr oss deferred tax liabilities	(2 002)	714	(103)	(1 391)	(1 397)	138	(2 651)
Total deferred tax liability	(2 002)	714	(103)	(1 391)	(1 397)	138	(2 651)

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

21 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, liquidity and market risks, including currency, interest rate and other price risks), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk

The Group takes on an exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's exposure to credit risk is reflected in the carrying amounts of the respective financial instruments.

The Group manages its trade receivables credit risks by performing credit checks of all new tenants. If tenants are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group's marketing department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. In certain cases the Group requires a guarantee from the parent. Rent receivable is secured by tenants deposits paid at the inception of each tenant's lease agreements.

Also refer to Note 23 for the information on derivatives financial instruments and guarantees.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the top management of the Group. Management uses budgeting and cash forecasting to ensure that the Group has sufficient resources to meet its obligations.

The Group manages liquidity risk based on the following key components:

- As the Group has a long-term investment horizon, it strives for a sound capital structure and actively seeks long-term financing;
- A targeted loan-to-value ratio on stabilized and yielding projects between 55% (comfortable) and 65% (maximum); and
- An average loan maturity should exceed 3 years.

The table below shows liabilities at 31 December 2013 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of reporting period.

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

21 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2013 was as follows:

<i>In thousands of US Dollars</i>	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	More than 5 years
Borrowings	2 797 812	3 823 167	274 852	812 112	1 506 948	1 229 255
Tenant deposits	59 570	79 883	6 724	15 227	25 730	32 202
Derivative financial instruments	8 931	18 589	11 160	7 330	99	-
Trade and other payables, excluding taxes payable, accruals and advances received	17 545	17 545	17 545	-	-	-
Financial guarantees	88 878	88 878	88 878	-	-	-
Total potential future payments for financial obligations	2 972 736	4 028 062	399 159	834 669	1 532 777	1 261 457

The maturity analysis of financial liabilities at 31 December 2012 was as follows:

<i>In thousands of US Dollars</i>	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	More than 5 years
Borrowings	1 684 603	2 092 518	413 532	432 222	1 113 778	132 986
Tenant deposits	45 549	62 529	12 361	12 334	17 372	20 462
Derivative financial instruments	16 033	35 454	9 542	16 774	9 138	-
Trade and other payables, excluding taxes payable, accruals and advances received	47 608	47 608	47 608	-	-	-
Financial liabilities directly associated with non-current assets classified as held for sale	196 426	268 869	19 110	43 989	198 407	7 363
Total potential future payments for financial obligations	1 990 219	2 506 978	502 153	505 319	1 338 695	160 811

In addition to the above potential future payments for financial obligations the Group has certain other commitments as disclosed in Note 23.

Market risk

The Group takes on exposure to market risks. Market risks arise mainly from open positions in foreign currencies and interest bearing assets and liabilities, all of which are exposed to general and specific market movements.

Currency risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group limits its exposure to the effects of currency risk by maintaining the majority of rental revenues and the majority of borrowings denominated in US Dollars.

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

21 Financial Risk Management (Continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk as monitored by management at the end of reporting period:

<i>In thousands of US Dollars</i>	31 December 2013			31 December 2012		
	USD	Euro	RR	USD	Euro	RR
Monetary financial assets						
Loans issued	17 027	-	1 152	23 536	-	-
Cash and cash equivalents	62 254	6	13 621	17 633	24	37 112
Trade and other receivables	281 717	1 145	3 948	33 231	1 750	2 672
Assets available for sale	16 025	-	-	-	-	-
Derivatives	14 043	-	-	-	-	-
Financial assets directly associated with non-current assets classified as held for sale	-	-	-	2 096	30	4 288
Total monetary financial assets	391 066	1 151	18 721	76 496	1 804	44 072
Monetary financial liabilities						
Borrowings	(2 604 276)	-	(193 536)	(1 671 668)	-	(12 935)
Tenant deposits	(54 977)	(4 593)	-	(39 413)	(5 891)	(245)
Derivatives	(8 931)	-	-	(16 033)	-	-
Trade and other payables, excluding taxes payable, accruals and advances received	(2 731)	(2 776)	(12 038)	(14 755)	(2 138)	(30 715)
Financial liabilities directly associated with non-current assets classified as held for sale	-	-	-	(192 706)	(22)	(3 698)
Total monetary financial liabilities	(2 670 915)	(7 369)	(205 574)	(1 934 575)	(8 051)	(47 593)
Effect of currency based derivatives	(180 380)	-	180 380	-	-	-
Net balance sheet and derivatives position at 31 December 2013	(2 460 229)	(6 218)	(6 473)	(1 858 079)	(6 247)	(3 521)

The above analysis includes only monetary assets and liabilities.

Main operating entities of the Group have Russian Rouble functional currency (Note 4). The following table presents sensitivities of profit/loss before income tax of the Group entities with Russian Rouble functional currency to reasonably possible changes in exchange rates applied at the reporting date relative to Russian Rouble with all other variables held constant:

<i>In thousands of US Dollars</i>	31 December 2013	31 December 2012
<i>Impact on profit or loss before income tax expense:</i>		
USD/RR strengthening by 10%	(122 737)	(114 445)
USD/RR weakening by 10%	122 737	114 445
<i>Impact on equity</i>		
USD/RR strengthening by 10%	(109 691)	(101 605)
USD/RR weakening by 10%	109 691	101 605

21 Financial Risk Management (Continued)

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Exposure of the Group to the interest rate risk is related mainly to borrowings. Carrying value of borrowings categorized by the earlier of contractual interest repricing or maturity dates adjusted for the impact of interest rate derivatives was as follows:

Carrying value by maturity of financial liabilities exposed to interest rate fluctuations risk was as follows:

<i>In thousands of US Dollars</i>	Less than 1 year	Year 2	Year 3	Year 4	Year 5	More than 5 years	Total
31 December 2013							
Fixed interest rate and hedged by interest rate derivatives floating interest rate borrowings	(10 592)	(100 090)	(386 480)	(833 447)	(966 476)	(150 648)	(2 447 733)
Floating interest rate borrowings	(334 076)	-	-	-	-	-	(334 076)
Net interest sensitivity position in borrowings (excluding finance lease liabilities) at 31 December 2013	(344 668)	(100 090)	(386 480)	(833 447)	(966 476)	(150 648)	(2 781 809)
<hr/>							
<i>In thousands of US Dollars</i>	Less than 1 year	Year 2	Year 3	Year 4	Year 5	More than 5 years	Total
31 December 2012							
Fixed interest rate and hedged by interest rate derivatives floating interest rate borrowings	(241 089)	(1 324)	(27)	(202 306)	(839 393)	-	(1 284 139)
Floating interest rate borrowings	(387 902)	-	-	-	-	-	(387 902)
Net interest sensitivity position in borrowings (excluding finance lease liabilities) at 31 December 2012	(628 991)	(1 324)	(27)	(202 306)	(839 393)	-	(1 672 041)

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The main interest rate risk of the Group is related to its borrowings. This risk arises mainly as a result of (1) originating borrowings at floating rates and (2) need to refinance the expiring borrowings. At 31 December 2013, if interest rates on borrowings of the Group had been 200 basis points higher (lower) with all other variables held constant profit before income tax expense for a year would have been USD 55 636 thousand lower (higher) (2012: USD 33 712 thousand lower (higher)).

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

21 Financial Risk Management (Continued)

The Group overall policy is to minimize exposure to fluctuations in variable interest rates using financial instruments.

The Group performs a periodic analysis of the current interest rate environment and depending on this analysis at the time of raising new debt management makes decisions on whether obtaining finance on a fixed-rate or a variable-rate basis would be more beneficial to the Group over the expected period until maturity.

The average interest rates for the principal financial instruments at the reporting date were as follows:

	31 December 2013		31 December 2012	
	Contractual rate	Effective rate	Contractual rate	Effective rate
Loans from banks (all in USD and RR)	6,8%	6,8%	7,6%	7,4%
Loans from other companies (all in USD and RR)	12,1%	13,0%	8,9%	8,9%
Finance lease liabilities (all in RR)	-	11,3%	-	11,2%
Tenant deposits (all in USD)	-	7,8%	-	8,2%

To minimize interest rate risk the Group's management aims:

- to maintain average interest rates below expected cap rates if the project is to be highly leveraged;
- to maintain an optimal mix of floating and fixed rate financing for all financial commitments;
- to use floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates (Notes 14 and 23).

22 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with the industry, the Group monitors capital on the basis of the gearing ratio. Management's objective is to maintain the gearing ratio below 70%. This ratio is calculated as net debt divided by total capital.

<i>In thousands of US Dollars</i>	31 December 2013	31 December 2012
Borrowings (Note 14)	2 797 812	1 684 603
Less: cash and cash equivalents (Note 12)	(75 881)	(54 769)
Net debt	2 721 931	1 629 834
Total equity	1 682 169	1 077 033
Total capital	4 404 100	2 706 867
Gearing ratio	61.80%	60.21%

22 Management of Capital (Continued)

Net assets value per share calculation is set out below:

<i>In thousands of US Dollars</i>	31 December 2013
Net assets value attributable to the owners of the Company	1 595 781
Number of class "A" shares issued	20 418 480
Number of class "B" shares issued	61 895 732
<hr/>	
Net assets value per class "A" share in USD	18.11
Net assets value per class "B" share in USD	19.81

In accordance with Articles of Association of the Company class "A" shares receive maximum USD 18.11 per share in case of liquidation and this value was allocated to class "A" shares in the above calculation. Remaining net assets value after the allocation to class "A" was allocated to the owners of class "B" shares. The above calculation does not take into account (1) different rights for dividends of class "A" and class "B" shareholders, (2) right of holders of class "A" shares to convert their shares into class "B" shares, and (3) all potentially possible scenarios of future allocation of net assets between the shareholders.

Refer to Note 16 for the information on the share capital structure.

23 Contingencies, Commitments and Operating Risks

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of managements own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of any such claims, and accordingly no provision has been recorded in these consolidated financial statements.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Amended Russian transfer pricing legislation is effective from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

23 Contingencies, Commitments and Operating Risks (Continued)

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

In addition to the above matters, management estimates that at 31 December 2013 the Group had possible obligations from exposures to other than remote tax risks of approximately up to USD 61 474 thousand (2012: approximately up to USD 30 000 thousand). These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

Capital commitments. At 31 December 2013 the Group has contractual capital expenditure commitments in respect of properties under development approximating USD 20 189 thousand (2012: nil). There is no contractual commitments of the Group relating to fit out of newly completed properties at 31 December 2013 (2012: USD 17 785 thousand). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Assets pledged and restricted. At 31 December 2013 the property with a fair value of USD 4 167 800 thousand (2012: USD 2 984 973 thousand (including assets classified as held for sale)) and related land lease and lease proceeds were pledged in relation to borrowings (Notes 7, 8, 13 and 14). Also refer to Note 1 for the information on shares of subsidiaries of the Group pledged and Note 28 for the information on pledges made in 2014.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. Refer to Note 14.

Share based payments to employees. During 2011 certain directors of the Company became entitled to the share based plan. In accordance with the plan, at the date of initial public offering and sale of the shares of the Company through stock exchange (the "IPO") such directors are to be granted a number of unit options equivalent to a fixed amount based on the Company's share price at the date of the IPO (the "Initial Unit Option"). If the Company is prepared for the IPO but the Board of Directors of the Company decides to suspend the IPO solely due to unfavourable external conditions then the directors are to receive a number of unit options equivalent to the fixed amount based on net assets of the Company (the "Pre-IPO Unit Option"). If the Pre-IPO Unit Option is granted then the Initial Unit Option will not be granted. On the last day of each calendar year following the IPO and subject to achievement in the relevant period of all relevant performance targets the directors are to be granted a number of unit options equivalent to the fixed amount based on the market share price at the date of granting. At any date the value of one unit option is equal to value of one share.

Unit options received are vested in equal parts on each anniversary of four consecutive calendar years following the date of granting. A director can exercise vested unit options and request the Company to make him a payment equivalent to the difference between (1) market value of the exercised unit options at the date of the unit option exercise and (2) market value of the exercised unit options at the date of granting. If at the exercise date the market value of the shares is not available then the unit option value is calculated based on the net assets of the Company in accordance with the latest available annual financial statements of the Company.

01 Properties Group

Notes to the Consolidated Financial Statements - 31 December 2013

23 Contingencies, Commitments and Operating Risks (Continued)

Once the appointment of a director is terminated (1) no further options will be granted to such director and (2) the director will have right to exercise unit options granted and vested by the date of the exercise only by 31 December of the year which follows the year of the termination. If the appointment of a director is terminated as a result of the director's misconduct then the unit options granted but not exercised are terminated immediately without any compensation.

At 31 December 2013 the liabilities relating to the directors' share based payments plan approximated to USD 134 thousand (2012: USD 22 thousand) and were recorded through general and administrative expenses in the profit or loss (Note 18).

Also refer to Note 16 for the information on shares allocated to top management in June 2013.

Derivatives. Derivative financial instruments have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The valuation of the derivatives is performed based on a discounted cash flows models. The key inputs to the models are the interest rate curves which are based on the market information. The valuations are performed internally and validated against the valuations of the transactions obtained independently from the counterparty banks.

At 31 December 2013 the Group had interest rate swap contracts with a total notional amount of USD 1 543 108 thousand (2012: USD 748 252 thousand) whereby the Group was paying a fixed interest rate in exchange for floating interest rate. At 31 December 2013 the positive fair value of these contracts was USD 12 660 thousand and the negative fair value of these contracts was USD 8 245 thousand (2012: USD 16 033 thousand negative fair value).

At 31 December 2013 the Group had currency swap contracts with a total notional amount of USD 180 380 thousand (2012: nil) whereby the Group was paying fixed rate interest and principal in USD in exchange for fixed rate interest and principal in Russian Rouble. At 31 December 2013 the positive fair value of these contracts was USD 1 383 thousand (2012: nil).

At 31 December 2013 the Group had foreign currency exchange options with a total notional amount of USD 84 342 thousand (2012: nil) whereby the Group had right to so sell fixed amounts of USD in exchange for fixed amounts of EUR and the counterparties had right to purchase fixed amounts of USD in exchange for fixed amounts of EUR if actual exchange rate cross predetermined borders. At 31 December 2013 the negative fair value of these contracts was USD 686 thousand (2012: nil).

Guarantees. In 2013 the Group has guaranteed the following liabilities of joint venture entity (Refer to Note 9):

Guarantor	31 December 2013		31 December 2012	
	Guaranteed liabilities amount	Payment dates of guaranteed liabilities	Guaranteed liabilities amount	Payment dates of guaranteed liabilities
<i>In thousands of US Dollars</i>				
O1 Properties Limited	88 878	16 November 2022	-	-
Total	88 878		-	

In December 2012 the Group guaranteed due performance of certain obligations of a company controlled by the Ultimate Controlling Shareholder and relating to White Square property acquisition by this company. This company was acquired by the Group in 2013 (Note 27, Acquisition of White Square) and has completed the guaranteed obligations as appropriate. Also refer to Note 28.

24 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values have been determined by the Group using available market information, when such information exists and is considered a reliable indicator, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market (Note 2). Market quotations may be outdated or reflect distressed sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Valuation of investment properties. The fair value of investment properties represents Level 3 measurement. In determining the fair value of the Group's investment property, management have regard to reports of independent appraisers who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. Since the information on current or recent prices of comparable investment properties was limited, the fair value of investment properties was determined mainly using discounted cash flow valuation

techniques. The Group used assumptions that were mainly based on market conditions existing at each reporting date. Changes in assumptions used in the valuation techniques could affect reported fair values

The valuation technique, inputs used in the fair value measurement of the investment property and related sensitivity to reasonably possible changes in those inputs were as follows at 31 December 2013:

	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change (% of input)	Sensitivity of fair value measurement	Fair value
<i>In thousands of US Dollars</i>						
Yielding investment property	Discounted Cash Flow Technique	Discount rates	9.5 - 14.0%	+10%	(170 100)	
		Estimated rental value	200-2000 USD/ sq.m.	-10%	180 500	
		Exit capitalization rates		+10%	200 665	
				-10%	(200 456)	
				+10%	(243 300)	
				-10%	297 500	4 167 800
Investment property under development	Discounted Cash Flow Technique	Discount rates	17.0 - 18.0%	+10%	(11 300)	
		Estimated rental value	300-800 USD/ sq.m.	-10%	12 600	
		Exit capitalization rates		+10%	20 634	
				-10%	(21 114)	
				+10%	(14 900)	
				-10%	18 300	51 700
Total fair value of investment property per valuation reports at 31 December 2013 (Note 8)						4 219 500

24 Fair Value (Continued)

Refer to Note 8 for information on movements in fair value of the investment property. The sensitivity of fair value measurement to change of inputs is estimated by adjusting the variable and assuming that other variables remain the same.

At 31 December 2012 the Group applied initial yield rates between 6% and 11% for yielding investment properties (all properties were yielding). Had initial yield been 10% lower or higher than those actually applied, it is estimated that the total valuation of these investment properties on a discounted cash flow basis would be USD 369 600 thousand higher or USD 299 000 thousand lower respectively.

During the year 2013 there were no reclasses from or into Level 3 measurements.

All gain from valuation is unrealized and presented in net gain from fair value adjustment on investment property line in the statement of profit and loss.

Cash and cash equivalents. Cash and cash equivalents are carried at amortized cost which approximates their current fair value.

Financial assets carried at amortized cost. The estimated fair value of financial assets carried at amortized cost is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Interest rates used depend on the perceived credit risk of the counterparty and ranged at 31 December 2013 from 6% p.a. to 10.35 % p.a. (2012: from 6% p.a. to 8% p.a.).

Liabilities carried at amortized cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Interest rates used ranged from 1% p.a. to 16% p.a. (2012: from 3.3% p.a. to 16% p.a.).

The comparison of fair value and carrying value of main assets and liabilities carried at amortised cost was as follows:

<i>In thousands of US Dollars</i>	31 December 2013		31 December 2012	
	Fair value	Carrying value	Fair value	Carrying value
Loans issued (Level 3)	18 138	18 179	23 446	23 536
Trade and other receivables (Level 3)	286 810	286 810	37 653	37 653
Cash and cash equivalents (Level 2)	75 881	75 881	54 769	54 769
Loans from banks (Level 3)	2 494 531	2 493 010	1 614 548	1 623 735
Loans from other companies and individuals (Level 3)	3 142	3 150	20 738	20 760
Loans from related parties (Level 3)	8 651	8 666	27 861	27 546
Rouble bonds financing (Level 3)	176 820	176 921	-	-
Redeemable preference shares (Level 3)	102 209	100 062	-	-
Finance lease liabilities (Level 3)	16 003	16 003	12 562	12 562
Tenant deposits (Level 3)	63 335	59 570	46 177	45 549
Trade and other payables, excluding taxes payable, accruals and advances received (Level 3)	17 545	17 545	47 608	47 608

All of the Group's financial liabilities except for derivative financial instruments were carried at amortised cost.

Financial instruments carried at fair value. At 31 December 2013 and 2012 all derivative financial instruments were valued using valuation techniques with inputs observable in markets which is Level 2 measurement. Refer to Note 23.

At 31 December 2013 assets available for sale were valued using valuation techniques with significant unobservable inputs (Level 3) (mainly time value of money and probability of receipt of the specified payments).

25 Presentation of Classes of Financial Instruments with Measurement Categories

At 31 December 2013 and 2012 all of the Group's financial assets were included in category loans and receivables except for (1) derivative financial instruments and (2) assets available for sale. All of the Group's financial liabilities except for derivative financial instruments were carried at amortised cost. At 31 December 2013 and 2012 all derivative financial instruments of the Group were classified as at fair value through profit and loss.

26 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if they are under common control, or if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties were as follows:

	31 December 2013				31 December 2012		
	Immediate share-holders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder	Joint venture	Key management personnel	Immediate share-holders (excluding key management personnel)	Companies under significant influence of ultimate controlling shareholder	Key management personnel
<i>In thousands of US Dollars</i>							
Loans issued (Note 10)	-	-	16 615	-	504	-	-
Trade and other receivables (Note 11)	225 001	575	436	-	-	482	-
Prepayments and deferred expenses	-	23 001	-	-	-	-	-
Cash and cash equivalents (Note 12)	-	-	-	-	-	24 406	-
Borrowings (Note 14)	-	(8 641)	(25)	-	-	(27 546)	-
Trade and other payables (Note 15)	-	(43)	(1)	(7 866)	(2 331)	-	(3 600)

26 Related Party Transactions (Continued)

The income and expense items with related parties for the period were as follows:

<i>In thousands of US Dollars</i>	31 December 2013				31 December 2012			
	Immedi- ate share- holders (exclu- ding key manage- ment person- nel)	Companies under signifi- cant influence of ultimate control- ling share- holder	Joint venture	Key ma- nage- ment person- nel	Immedi- ate share- holders (exclu- ding key manage- ment person- nel)	Companies under signifi- cant influence of ultimate control- ling share- holder	Joint ven- ture	Key ma- nage- ment person- nel
Rental revenue	-	312	-	-	182	-	-	-
Employees compensation and related social contribution expense	-	-	-	(11 520)	-	-	-	(4 679)
Interest income	-	334	901	-	1 214	-	-	-
Interest expense	(619)	(1 300)	(2)	-	-	(2 389)	-	-
Other income	188	312	510	-	-	182	-	-
Capitalised finance costs	-	-	-	-	-	(5 423)	-	-
Expensed investments made on behalf of the joint venture partner	-	-	(3 306)	-	-	-	-	-

In addition the Group guaranteed obligations of related parties and pledged shares in certain subsidiaries in relation to liabilities of related parties (Notes 1 and 23).

At 31 December 2013 and 2012 some members of Board of Directors of the Company provided pledge of personal assets with a fair value not exceeding USD 5 000 thousand in relation to borrowings by the Group.

Refer to Note 4 and 27 for the information on disposal and acquisition by the Group of subsidiaries in transactions with companies controlled by the Ultimate Controlling Shareholder.

Refer to Note 23 for the description of the share based payments to management.

Refer to Note 14 for the information on (1) significant borrowings received by the Group from Sberbank of Russia, a significant non-controlling shareholder of Afelmor (Note 27), and (2) funding received by the Group as a result of issue by a company controlled by the Ultimate Controlling Shareholder of Rouble bonds guaranteed by the Company.

Refer to Note 27 for the information on acquisition of Legenda Tsvetnogo property by a subsidiary of the Group which is 49.5% owned by a company controlled by the Ultimate Controlling Shareholder.

The beneficial interest in the Company's ordinary shares owned by members of the Board of Directors of the Company, directly or indirectly, was as follows:

	31 December 2013 % of class B shares (Note 16)	31 December 2012 % of ordinary shares
Dmitry Mints*	-	-
Michael Stanton	0,095%	0.065%
Alexander Ostrovskiy	0,087%	0.057%
Tomasz Zamara	0,033%	0.007%

*Mr. Dmitry Mints is a son of Mr. Boris Mints, the Ultimate Controlling Shareholder (Note 1).

Also refer to Note 28 for information on some transactions with related parties during 2014.

27 Acquisitions and Disposals

Acquisition of Greendale (formerly "Green point"). In April 2013 the Group increased its interest in Taavo Enterprises Limited (Cyprus) from 50% to 85% for the total consideration (including transaction cost) of USD 8 931 thousand. Taavo Enterprises Limited and its subsidiaries are involved in construction of the office centre Greendale in Moscow. The companies acquired constituted a group of net assets, rather than businesses as defined in IFRS 3 "Business combinations", as the Group purchased physical assets and not the accompanying processes.

<i>In thousands of US Dollars</i>	Attributed value
Cash and cash equivalents	22
VAT receivable	29
Trade and other receivables and prepayments	100
Investment property	37 232
Borrowings	(9 798)
Trade and other payables	(840)
Attributed value of identifiable net assets acquired	26 745
Less: non-controlling interest	(4 013)
Attributed value of identifiable net assets acquired after non-controlling interest	22 732
Total purchase consideration	(22 732)
Less: Fair value of previously owned interest	13 801
Less: Cash and cash equivalents of subsidiaries acquired	22
Outflow of cash and cash equivalents on acquisition	(8 909)

The subsidiary acquired contributed no revenue and USD 3 300 thousand loss to the Group for the period from the date of acquisition to 31 December 2013.

Acquisition of White Square. On 31 May 2013 the Group acquired for total consideration of USD 205 001 thousand (including USD 202 000 thousand paid by shares in the Company (Note 16)) from companies controlled by the Ultimate Controlling Shareholder 100% interest in White Estate Investments Limited (BVI) which owns 67% interest in Afelmor Overseas Limited (Cyprus) ("Afelmor"). Afelmor owns 100% interest in Kvartal 674-675 LLC (Russia) which owns the office centre White Square in Moscow. The companies acquired constituted a group of net assets, rather than businesses as defined in IFRS 3 "Business combinations", as the Group purchased physical assets and not the accompanying processes.

27 Acquisitions and Disposals (Continued)

The details of the assets and liabilities acquired were as follows:

<i>In thousands of US Dollars</i>	Attributed value
Cash and cash equivalents	45 535
Loans issued	9 100
Prepayments	227
VAT recoverable	5 445
Trade and other receivables	30 989
Current income tax prepayments	5 819
Investment property	999 291
Borrowings	(795 409)
Tenant deposits	(14 532)
Land lease liability	(3 236)
Deferred rental income	(23 325)
Trade and other payables	(54 903)
Attributed value of identifiable net assets of subsidiaries acquired	205 001
Total purchase consideration	(205 001)
Less: Non-cash consideration (Note 16)	202 000
Less: Cash and cash equivalents of subsidiary acquired	45 535
Inflow of cash and cash equivalents on acquisition	42 534

The subsidiary acquired contributed USD 59 142 thousand revenue and USD 14 569 thousand profit to the Group for the period from the date of acquisition to 31 December 2013.

Acquisition of Bolshevik. On 31 October 2011 the Group entered into an agreement with a third party for the acquisition of a 100% interest in OJSC "Bolshevik" ("Bolshevik", the owner of buildings and related land leases in Moscow) for USD 73 000 thousand subject to certain adjustments. The transaction was completed in March 2012 through Bayroad Group Limited, a company 50% plus 1 share owned by the Group and 50% less 1 share owned by an unrelated individual. The main financing and operating decisions of Bayroad Group Limited require unilateral approval of its shareholders. Investment in Bayroad Group Limited was classified as joint venture (jointly controlled entity) and accounted for in these consolidated financial statements using the equity method of accounting.

In 2012 the Group sold to its joint venture partner its 50%+1 share interest in Bayroad Group Limited for USD 6 295 thousand and the Group recorded disposal of its interest in the joint venture. In June 2013 the respective sale and purchase agreement was terminated and the Group recorded an acquisition of interest in joint venture.

27 Acquisitions and Disposals (Continued)

The details of the assets and liabilities of interest in the joint venture acquired were as follows:

<i>In thousands of US Dollars</i>	Attributed value
Cash and cash equivalents	1 391
Prepayments	450
Trade and other receivables	8 635
Investment property	117 965
Borrowings	(102 282)
Land lease liability	(12 296)
Trade and other payables	(1 275)
Attributed value of identifiable net assets of joint venture	12 588
Less: interest owned by the joint venture partner	(6 293)
Attributed value of net assets acquired	6 295
Less: Derecognition of receivable from the joint-venture partner	(6 295)
Outflow of cash and cash equivalents on acquisition	-

Acquisition of Kutuzov. On 21 August 2013 the Group acquired for USD 14 428 thousand subject to certain adjustments 100% interest in (1) Cemvertia Investments Limited (Cyprus) and (2) LLC "VKS Invest" (Russia), the owner of land leases in Moscow expected to be involved in construction of a new office property. The acquired companies constituted a group of net assets, rather than businesses as defined in IFRS 3 "Business combinations", as the Group purchased physical assets and not the accompanying processes.

The details of the assets and liabilities acquired were as follows:

<i>In thousands of US Dollars</i>	Attributed value
Cash and cash equivalents	18
Prepayments	30
VAT recoverable	80
Investment property	19 249
Borrowings	(2 716)
Land lease liability	(1 233)
Attributed value of identifiable net assets of subsidiaries acquired	15 428
Total purchase consideration	(15 428)
Less: Cash and cash equivalents of subsidiary acquired	18
Outflow of cash and cash equivalents on acquisition	(15 410)

The subsidiary acquired contributed no revenues and USD 954 thousand loss to the Group for the period from the date of acquisition to 31 December 2013.

27 Acquisitions and Disposals (Continued)

Acquisition of Legenda Tsvetnogo. On 19 December 2013 the Group through a 50.5% owned subsidiary acquired for total consideration (including transaction costs) of USD 87 104 thousand subject to certain adjustments 100% interest in a group of companies including Goldstyle Holdings Limited (Cyprus) which owns an office centre Legenda Tsvetnogo in Moscow. The acquired companies constituted a group of net assets, rather than businesses as defined in IFRS 3 "Business combinations", as the Group purchased physical assets and not the accompanying processes.

The details of the assets and liabilities acquired were as follows:

<i>In thousands of US Dollars</i>	Attributed value
Cash and cash equivalents	585
Prepayments	218
VAT recoverable	10 885
Trade and other receivables	3 435
Investment property	407 006
Borrowings	(240 000)
Deferred rental income	(12 662)
Current income tax liabilities	(832)
Trade and other payables	(965)
Attributed value of identifiable net assets of subsidiaries acquired	167 670
Less: non-controlling interest	(82 997)
Attributed value of identifiable net assets acquired after non-controlling interest	84 673
Transaction costs assumed by the Group for non-controlling interest	2 431
Total purchase consideration	(87 104)
Less: Cash and cash equivalents of subsidiary acquired	585
Outflow of cash and cash equivalents on acquisition	(86 519)

The subsidiary acquired contributed USD 3 202 revenues and USD 1 348 thousand profit to the Group for the period from the date of acquisition to 31 December 2013.

Other acquisitions. In September 2013 the Group has signed with a company controlled by the Ultimate Controlling Shareholders an agreement for acquisition of an interest in a group of companies which owns an office center in Moscow for USD 30 million. The transfer of ownership to the Group will take place upon the last payment for the shares. The total amount of consideration should be paid on or prior to 31 December 2014. At 31 December 2013 the Group made prepayment in respect of this transaction of USD 25 706 thousand which is included in prepayments and deferred expenses.

27 Acquisitions and Disposals (Continued)

Disposal of Olympia. In February 2013 the Group completed the sale of 100% interest in Flybase Investments Limited and Effusive Holding Limited which owned 100% interest in CJSC "Vodny Stadion Sport Invest", a company which owned Olympia property. At 31 December 2012 the disposed assets and liabilities pending disposal were classified as non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale (Note 13).

The details of the assets and liabilities disposed and financial result arising were as follows:

<i>In thousands of US Dollars</i>	Carrying amount
Cash and cash equivalents	14 470
Loans issued	7 759
VAT receivable	16 372
Trade and other receivables	4 541
Investment property	322 579
Borrowings	(190 036)
Tenant deposits	(4 124)
Deferred rental income	(14 499)
Trade and other payables	(6 017)
Carrying value of identifiable net assets of subsidiaries disposed	151 045
Gain from disposal	1 452
Transaction costs	6 323
Total sale consideration	158 820
Less: Fair value of contingent consideration	(21 167)
Less: Cash and cash equivalents of subsidiaries disposed	(14 470)
Less: Non-cash settlement of balance outstanding from the Group	(7 759)
Less: Transaction costs paid	(6 323)
Inflow of cash and cash equivalents on disposal	109 101

Contingent consideration represents payments to be received by the Group upon completion of certain conditions specified in the sale and purchase agreement. At 31 December 2013 contingent consideration is recorded as assets available for sale in the consolidated statement of financial position.

Other disposals. During 2013 the Group sold a number of minor subsidiaries with total gain on disposal of USD 1 055 thousand (2012: nil).

Acquisition of Silver City. On 14 August 2012 the Group completed acquisition of a 100% interest in (1) Damvex Investments Limited (Cyprus) and (2) LLC Silver City (Russia) which owns an office building Silver City in Moscow, for total consideration (including transaction costs) of USD 332 631 thousand. These companies constituted a group of net assets, rather than businesses as defined in IFRS 3 "Business combinations", as the Group purchased physical assets and not the accompanying processes.

O1 Properties Group
Notes to the Consolidated Financial Statements - 31 December 2013

27 Acquisitions and Disposals (Continued)

The details of the assets and liabilities acquired were as follows:

<i>In thousands of US Dollars</i>	Attributed fair value
Cash and cash equivalents	13 323
VAT recoverable	1 179
Trade and other receivables	221
Current income tax prepayments	1
Investment property	371 076
Borrowings	(33 686)
Tenant deposits	(10 175)
Trade and other payables	(9 308)
Fair value of identifiable net assets of subsidiaries acquired	332 631
Total purchase consideration	(332 631)
Less: Cash and cash equivalents of subsidiary acquired	13 323
Outflow of cash and cash equivalents on acquisition	(319 308)

The subsidiaries acquired contributed USD 18 415 thousand revenue and USD 12 276 thousand loss to the Group for the period from the date of acquisition to 31 December 2012.

Acquisition of Ducat Place III. On 17 October 2012 the Group acquired from a company controlled by the Ultimate Controlling Shareholder 100% interest in (1) Hines DP III Realty Limited (Cyprus), (2) Hines DP III Development Limited (Cyprus), (3) Gasheka Development Limited (Cyprus), (4) Tropical Sunset Holdings Inc. (British Virgin Islands), (5) Gasheka Finance Company Limited (Cayman Islands), (6) Upstalen Limited (Cyprus) and (7) Gasheka Realty Limited (Russia) which owns an office building Ducat III in Moscow, for total consideration (including transaction costs) of USD 172 506 thousand. These companies constituted a group of net assets and liabilities, rather than businesses as defined in IFRS 3 "Business combinations", as the Group purchased physical assets and not the accompanying processes.

The details of the assets and liabilities acquired were as follows:

<i>In thousands of US Dollars</i>	Attributed fair value
Cash and cash equivalents	1 896
Loans issued	1 944
VAT recoverable	1 542
Trade and other receivables and prepayments	4 519
Investment property	386 226
Prepayments	785
Borrowings	(204 355)
Tenant deposits	(2 879)
Land lease liability	(2 610)
Deferred rental income	(9 337)
Trade and other payables	(5 225)
Fair value of identifiable net assets of subsidiaries acquired	172 506
Total purchase consideration	(172 506)
Less: Cash and cash equivalents of subsidiary acquired	1 896
Less: Net off with receivable for preference shares (Note 16)	167 900
Outflow of cash and cash equivalents on acquisition	(2 710)

On 6 December 2012 USD 167 900 thousand of the total purchase consideration payable was netted with USD 167 900 thousand receivable from a company controlled by the Ultimate Controlling shareholder in relation to issuance of redeemable preference shares (Note 16).

The subsidiaries acquired contributed USD 8 153 thousand revenue and USD 9 705 thousand loss to the Group for the period from the date of acquisition to 31 December 2012.

27 Acquisitions and Disposals (Continued)

Disposal of Red Royal Services Limited and in Calyasca Limited. In February 2012 the Group completed sale of 100% interest in Red Royal Services Limited and in Calyasca Limited which indirectly owned Gamma property for USD 32 500 thousand adjusted for working capital and debt at the date of sale. The prepayment for the sale of the subsidiary was received in October 2011.

The details of the assets and liabilities disposed and financial result arising were as follows:

<i>In thousands of US Dollars</i>	Carrying amount
Cash and cash equivalents	649
Loans issued	13 918
VAT recoverable	1 275
Trade and other receivables	392
Property, plant and equipment	39
Investment property	32 762
Borrowings	(26 198)
Tenant deposits	(693)
Deferred rental income	(1 064)
Trade and other payables and other liabilities	(6 543)
Carrying value of identifiable net assets of subsidiaries disposed	14 537
Gain from disposal of subsidiaries	-
Total sale consideration	14 537
Less: Cash and cash equivalents of subsidiary disposed	(649)
Inflow of cash and cash equivalents on disposal	13 888

Disposal of CJSC Horus Capital. In March 2012 the Group sold 100% interest in CJSC "Horus Capital" to a company controlled by the Ultimate Controlling Shareholder for USD 10 thousand.

The details of the assets and liabilities disposed and financial result arising were as follows:

<i>In thousands of US Dollars</i>	Carrying amount
Cash and cash equivalents	142
Loans issued	3 180
Prepayments	1 480
VAT recoverable	2 766
Trade and other receivables	15 110
Inventories	61 239
Property, plant and equipment (Note 7)	1 369
Land lease liability	(2 146)
Deferred income on residential property	(72 509)
Co-investor share in residential property	(17 029)
Deferred rental income	(63)
Trade and other payables	(1 995)
Carrying value of identifiable net liabilities of subsidiary disposed	(8 456)
Contribution from the shareholder recorded directly in equity	8 466
Total sale consideration	10
Less: Cash and cash equivalents of subsidiary disposed	(142)
Outflow of cash and cash equivalents on disposal	(132)

The financial result of the above transaction was recorded directly in equity. Refer to Note 4.

28 Subsequent Events

During 2014 in accordance with the subscription made in June 2013 and in April 2014 (Note 16) 162 871 class "B" shares were registered in the name of selected top management personnel.

In May 2014 the promissory note issued by Centimila Services Limited was partially repaid and USD 100 000 thousand was received by the Group (Note 16).

In April 2014, in relation to USD 100 million borrowing (optionally to be increased to USD 225 million) (the "Borrowing") by a company (the "Intermediary Shareholder") which (1) is controlled by Ultimate Controlling Shareholder (Note 1) and (2) owns and controls 100% interests in Centimila Services Limited (Note 1), the Group: (1) guaranteed performance of the Intermediary Shareholder with respect to the Borrowing, (2) pledged all shares in Ratado Holding Limited ("Ratado", holding company for subsidiaries of the Group which own certain properties (Notes 1 and 8)) as security with respect to the Borrowing, (3) pledged rights for balances receivable by the Group from Ratado as security with respect to the Borrowing, (4) subordinated its rights related to balances receivable by the Group from Ratado to rights of creditors under the Borrowing, (5) accepted subordination of liabilities of certain subsidiaries of the Group to the Intermediary Shareholder to rights of creditors under the Borrowing, (6) accepted obligation to comply with certain covenants and conditions and (7) guaranteed payment of certain fees.

In April 2014 the Group guaranteed performance of the Intermediary Shareholder under a derivative contract based on the fair value of shares in the Company representing approximately 6,2% (optionally to be increased to 14,0% in case of certain additional share transfers by Centimila Services Ltd) interest in its share capital.

Refer to Note 16 for the information on dividends declared during 2014.

In April-May 2014 as a result of sales of shares by Centimila Services Ltd and Coniston Management Limited to new shareholders (1) holding of Centimila Services Ltd decreased to 62.178% of class "B" shares and (2) holding of Coniston Management Limited decreased to 2.688% of class "B" shares.

In April 2014 the Group guaranteed a borrowing of up to USD 75 million by a company controlled by the Ultimate Controlling Shareholder. At the date of these financial statements no funds were borrowed under this facility.

Refer to Note 2 for the information on recent political and economic developments.

Independent Auditors' Report is on pages 4 and 5.