

**O1 PROPERTIES LIMITED (FORMERLY
TONEBOL LIMITED)**

ANNUAL REPORT AND FINANCIAL
STATEMENTS

For the year ended 31 December 2011

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2011

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O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Dmitriy Mints (appointed 1 July 2011) Tomasz Zamara (appointed 1 July 2011) Michael Stanton (appointed 1 July 2011) Alexander Ostrovskiy (appointed 1 July 2011) Timothy Fenwick (appointed 1 July 2011) Richard Gregson (appointed 1 June 2012) John Nacos (appointed 1 August 2011) Norbert Kickum (appointed 1 July 2011 - resigned 1 June 2012) Theodoulos Montis (appointed 24 August 2010 - resigned 1 July 2011)
Company Secretary:	Panglobe Secretarial Limited
Independent Auditors:	PricewaterhouseCoopers Limited Chartered accountants
Registered office:	18 Spyrou Kyprianou Office/flat 301 1075 Nicosia Cyprus
Bankers:	Nomos Bank Otkritie Bank VTB Capital Plc Bank of Cyprus Plc
Registration number:	272334

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of O1 Properties Limited (formerly Tonebol Limited) "The Company" presents its report and audited financial statements of the Company for the year ended 31 December 2011.

Change of name

On 30 May 2011 the Company's name was changed to O1 Properties Limited.

Principal activities

The principal activities of the Company are the holding and financing of investments.

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

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 3 of the financial statements.

Results and Dividends

The Company's results for the year are set out on page 6. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

On 29 December 2011 the Board of Directors proposed and the shareholders of the Company passed a unanimous resolution for the reduction of the share premium account by USD 36 018 thousand and shareholder's contribution by USD 61 360 thousand. The reduction was settled with the transfer of financial instruments on 29 December 2011. The share premium reduction was subject to the approval of the Nicosia District Court. On 21 March 2012 the resolution for the reduction of share premium was approved by the Nicosia District Court and the Company Secretary proceeded with its submission to the Registrar of Companies on 28 March 2012.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2011 and at the date of this report are presented on page 1. On 1 July 2011 the sole director of the Company Mr. Theodoulos Montis resigned and new directors were appointed by unanimous resolution of the shareholders of the Company pursuant to the Articles of Association of the Company. The current directors of the Company with effect from 1 July 2011 are:

Mr. Dmitry Mints
Mr. Tomasz Zamiara
Mr. Michael Stanton
Mr. Alexander Ostrovskiy
Mr. Timothy Fenwick

On 1 August 2011 Mr John Nacos was appointed as an additional director of the Company. On the 1 June 2012 Mr Norbert Kickum resigned as director of the Company and Mr Richard Gregson was appointed in his place.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Significant events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 23 to the financial statements.

Existence of branches

During the year ended 31 December 2011 the Company did not operate any branches.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

REPORT OF THE BOARD OF DIRECTORS

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,



Panglobe Secretarial Limited
Secretary

, 10 December 2012



Independent auditor's report To the Members of O1 Properties Limited (formerly Tonebol Limited)

Report on the financial statements

We have audited the accompanying financial statements of parent company O1 Properties Limited (the "Company"), which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of 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 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent company O1 Properties Limited as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

Report on other legal requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's 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 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 financial statements.

Other matters

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

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2011.

A handwritten signature in blue ink, appearing to read 'K. Santis', is written over a light blue horizontal line.

Christakis K Santis
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 10 December 2012

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

		Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Interest income	5	8,724,826	116,927
Interest expense		(1,518,600)	-
Gross profit		7,206,226	116,927
Net profit from investing activities	6	24,000,000	128
Administration expenses		(3,266,255)	(65,772)
Operating profit	7	27,939,971	51,283
Finance income	9	1,365	-
Finance costs	9	(6,695,326)	(2,666,400)
Profit/ (loss) before tax		21,246,010	(2,615,117)
Tax	10	(165,341)	(7,115)
Net profit / (loss) for the year / period (Note 15)		21,080,669	(2,622,232)
Other comprehensive income		-	-
Total comprehensive loss for the year / period (Note 15)		21,080,669	(2,622,232)

The notes on pages 11 to 33 form an integral part of these financial statements.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Note	2011 US\$	2010 US\$
ASSETS			
Non-current assets			
Investments in subsidiaries and associates	11	434,875,820	419,200,211
Non-current loans receivable	12	223,355,142	87,618,855
		658,230,962	506,819,066
Current assets			
Trade and other receivables	13	58,535,445	62,101,450
Current loans receivable	12	10,122,155	-
Cash and cash equivalents	14	12,253,214	3,662,435
		80,910,814	65,763,885
Total assets		739,141,776	572,582,951
EQUITY AND LIABILITIES			
Equity			
Share capital	15	17,764	17,764
Share premium	15	468,566,000	504,583,507
Shareholders contribution	16	-	61,359,526
Retained earnings / accumulated (losses)		18,458,437	(2,622,232)
Total equity		487,042,201	563,338,565
Non-current liabilities			
Borrowings	17	173,617,721	-
		173,617,721	-
Current liabilities			
Trade and other payables	18	34,136,739	9,237,271
Borrowings	17	44,338,000	-
Current tax liabilities	19	7,115	7,115
		78,481,854	9,244,386
Total liabilities		252,099,575	9,244,386
Total equity and liabilities		739,141,776	572,582,951

On 10 December 2012 the Board of Directors of O1 Properties Limited (formerly Tonebol Limited) authorised these financial statements for issue.

.....
Tomasz Zamiara
Director

.....
Michael Stanton
Director

The notes on pages 11 to 33 form an integral part of these financial statements.

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	Share capital US\$	Share premium US\$	Shareholders contribution US\$	Retained earnings/ accumulated (losses) US\$	Total US\$
Comprehensive income						
Total comprehensive income for the period		-	-	-	(2,622,232)	(2,622,232)
Transactions with owners						
Issue of share capital	15	17,764	-	-	-	17,764
Issue of share premium	15	-	504,583,507	-	-	504,583,507
Shareholder contribution		-	-	61,359,526	-	61,359,526
Balance at 31 December 2010		17,764	504,583,507	61,359,526	(2,622,232)	563,338,565
2011						
Total comprehensive income for the year		-	-	-	21,080,669	21,080,669
Transactions with owners						
Reduction of share premium	15	-	(36,017,507)	-	-	(36,017,507)
Shareholder contribution	15	-	-	(61,359,526)	-	(61,359,526)
Balance at 31 December 2011		17,764	468,566,000	-	18,458,437	487,042,201

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. Special contribution for defence rate increased to 17% in respect of profits of year of assessment 2009 and to 20% in respect of profits of years of assessment 2010 and 2011. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. The special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 11 to 33 form an integral part of these financial statements.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (loss) before tax	21,246,010	(2,615,117)
Adjustments for:		
Unrealised exchange loss	2,371,891	208
Return on investment	6 (24,000,000)	-
Interest income	5 (8,724,826)	(116,927)
Interest expense	9 1,280,200	-
Cash flows used in operations before working capital changes	(7,826,725)	(2,731,836)
Decrease / (increase) in trade and other receivables	3,949,941	(132)
Decrease in shareholders' current accounts	-	(1,318)
(Decrease) / increase in trade and other payables	(2,596,185)	2,718,676
Cash flows used in operations	(6,472,969)	(14,610)
Tax paid	(148,125)	-
Net cash flows used in operating activities	(6,621,094)	(14,610)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of investments in subsidiaries	11 (18,159,375)	(260,681,871)
Loans granted	(215,671,201)	(26,142,402)
Loans repayments received	8,371,421	-
Proceeds from sale of investments in subsidiary undertakings	1	-
Interest received	23,800	-
Net cash flows used in investing activities	(225,435,354)	(286,824,273)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	290,501,318
Repayments of borrowings	(32,885,257)	-
Proceeds from borrowings	274,394,210	-
Interest paid	(411,726)	-
Arrangement fees	(450,000)	-
Net cash flows from financing activities	240,647,227	290,501,318
Net increase in cash and cash equivalents	8,590,779	3,662,435
Cash and cash equivalents:		
At beginning of the year/ period	3,662,435	-
At end of the year/ period	14 12,253,214	3,662,435

The notes on pages 11 to 33 form an integral part of these financial statements.

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

Non cash transactions:

1. On 29 December 2011 the Board of Directors proposed and the shareholders of the Company passed a unanimous resolution for the reduction of the share premium account by USD 36 018 thousand and shareholder's contribution by USD 61 360 thousand. The reduction was settled with the transfer of financial instruments on 29 December 2011.
2. The purchase price for the shares in Discovery Russian Realty Paveletskaya Project Limited is not included in the statement of cashflows as this was paid by assigning promissory notes amounting to USD 108,000,000 issue to the company by Salastar Limited. The promissory notes were contributed by Salastar Investments Limited to the share premium of the Company.
3. A portion of purchase price for the shares in Wallasey Limited and Longmoor Limited is not included in the statement of cashflows, as this was paid by assigning promissory notes amounting to USD44,000,000 issued to the company by Salastar Limited. The promissory notes were contributed by Salastar Investments Limited to the share premium of the Company.
4. The purchase of Talisia Limited for USD 54,000,000 and the sale of Talisia Limited and Dawson International Inc has not been include in the statement of cashflows as these transactions were completed by assignment of promissory notes. The promissory notes were contributed by Salastar Investments Limited to the share premium of the Company.
5. USD 61,359,526 included in shareholders contribution was settled by the assignment of loans receivable from Dawson International Inc. and CJSC "Stroypromplast".

The notes on pages 11 to 33 form an integral part of these financial statements.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. Incorporation and principal activities

Country of incorporation

The Company O1 Properties Limited (formerly Tonebol Limited) (the "Company") was incorporated in Cyprus on 24 August 2010 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at 18 Spyrou Kyprianou, Office/flat 301, 1075 Nicosia, Cyprus.

Change of Company name

On 30 May 2011, the Company changed its name from Tonebol Limited to O1 Properties Limited.

Principal activities

The principal activities of the Company are the holding and financing of investments.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements unless otherwise stated.

Basis of preparation

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from 18 Spyrou Kyprianou, Office/flat 301, 1075 Nicosia, Cyprus.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2011 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new and revised IFRSs

During the current period the Company 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 2011.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Adopted by the European Union Amendments

- Amendments to IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IAS 1 "Financial Statements Presentation" on Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012).
- Amendment to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).

(ii) Not adopted by the European Union New standards

- IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10, "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11, "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12, "Disclosure of Interests in Other entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2013).
- Amendment to IAS 12 "Income Taxes" on deferred tax relating to recovery of underlying assets (effective for annual periods beginning on or after 1 January 2012).
- Amendments to IFRS 1 "First Time Adoption of International Financial Reporting Standards" on severe hyperinflation and removal of fixed dates for First Time Adopters (effective for annual periods beginning on or after 1 July 2011).
- Amendment to IFRS 7 "Financial Instruments: Disclosures" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 July 2013).
- Amendments to IAS 32 "Financial Instruments: Presentation" on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014).
- Amendments to IFRS 1 "First Time Adoption of International Financial Reporting Standards" on the application of IFRS 9 'Financial Instruments' and IAS 20 'Accounting for Government Grants and Disclosure on Government Assistance' - exemption on the retrospective application of IFRSs in relation to government grants (effective for annual periods beginning on or after 1 January 2013).
- Annual improvements 2011 (effective for annual periods beginning on or after 2013).
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

The Board of Directors of O1 Properties Limited (formerly Tonebol Limited) "The Company" expects that the adoption of these standards or interpretations in future periods will not have a material effect on the financial statements of the Company, with exception of the following:

- IFRS 7 *Financial Instruments: Disclosures (Amendment)*. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when (a) financial assets are derecognised in their entirety, but the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) (b) financial assets are not derecognised in their entirety.

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. Accounting policies (continued)

- *IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities*
The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied.
- *IFRS 9 "Financial instruments"*. This standard is the first step in the process to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 and has not yet been endorsed by the European Union. The Group is yet to assess the full impact of IFRS 9.
- *IFRS 13 Fair Value Measurement*. IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. Fair value under IFRS 13 is defined as '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' (i.e., an 'exit price'). 'Fair value' as used in IFRS 2 Share based Payments and IAS 17 Leases is excluded from the scope of IFRS 13. New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.
- *IAS 12 Income Taxes (Amendment) — Deferred Taxes: Recovery of Underlying Assets*. The amendment is effective for annual periods beginning on or after 1 January 2012. This amendment concerns the determination of deferred tax on investment property measured at fair value and also incorporates SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16. The aim of this amendment is to include a) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and b) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

Consolidated financial statements

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting.

Subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated undertakings are stated at cost less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

As the Company issues consolidated financial statements, in preparation of these separate financial statements it has taken advantage of the exemption under IAS 28 "Investments in associates" from the requirement to account for the associate by the equity method of accounting.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the invoiced amount for the sale of products net of Value Added Tax, rebates and discounts. Revenues of the Company are recognized on an accrual basis.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

- **Dividend income**

Dividend income is recognised when the right to receive payment is established.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated in the basis of the tax laws enacted or substantively enacted at the reporting date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. Accounting policies (continued)

Current and deferred tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and deposits held at call with banks.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. Accounting policies (continued)

Financial instruments (continued)

Financial guarantees

Financial guarantees are irrevocable contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because of a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at the 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.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

3. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2011	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	Between 3-12 months US\$	Between 1-5 years US\$	More than 5 years US\$
Other loans	111,874,090	149,319,190	-	12,412,372	136,906,818	-
Short term loans	3,669,140	3,669,140	3,669,140	-	-	-
Trade and other payables	4,051,007	3,885,238	3,885,238	-	-	-
Payables to related companies	30,031,782	30,031,782	30,031,782	-	-	-
Loans from subsidiaries	48,453,217	52,535,585	-	-	52,535,585	-
Loans from related companies	<u>53,959,274</u>	<u>76,670,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,670,743</u>
	<u>252,038,510</u>	<u>316,111,678</u>	<u>37,586,160</u>	<u>12,412,372</u>	<u>189,442,403</u>	<u>76,670,743</u>
31 December 2010	Carrying amounts US\$	Contractual cash flows US\$	3 months or less US\$	Between 3-12 months US\$	Between 1-5 years US\$	More than 5 years US\$
Trade and other payables	9,213,773	9,213,773	5,845,931	3,367,842	-	-
Payables to related companies	<u>23,498</u>	<u>23,498</u>	<u>23,498</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9,237,271</u>	<u>9,237,271</u>	<u>5,869,429</u>	<u>3,367,842</u>	<u>-</u>	<u>-</u>

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro and the Russian Rouble. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. Financial risk management (continued)

The Company's exposure to foreign currency risk was as follows:

31 December 2011

	Euro US\$	Russian Rouble US\$	United Kingdom Pounds US\$
Assets			
Cash at bank	1,764	11,317,221	-
Loans receivable	-	47,555,158	-
	<u>1,764</u>	<u>58,872,379</u>	<u>-</u>
Liabilities			
Creditors and accruals	(66,601)	(86)	(503)
Loans payable	-	(45,959,274)	-
	<u>(66,601)</u>	<u>(45,959,360)</u>	<u>(503)</u>
Net exposure	<u>(64,837)</u>	<u>12,913,019</u>	<u>(503)</u>

31 December 2010

	Euro US\$	Russian Rouble US\$
Assets		
Cash at bank	-	218
Loans receivable	-	46,278,842
	<u>-</u>	<u>46,279,060</u>
Liabilities		
Creditors and accruals	(96,386)	-
	<u>(96,386)</u>	<u>-</u>
Net exposure	<u>(96,386)</u>	<u>46,279,060</u>

Sensitivity analysis

A 10% strengthening of the United States Dollars against the following currencies at 31 December 2011 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the United States Dollars against the relevant currency, there would be an equal and opposite impact on the profit and equity.

	Profit or loss	
	2011	2010
	US\$	US\$
Euro	6,484	9,639
United Kingdom Pounds	50	-
Russian Rouble	<u>(1,291,302)</u>	<u>(4,627,906)</u>
	<u>(1,284,768)</u>	<u>(4,618,267)</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. Financial risk management (continued)

3.5 Capital risk management

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash at bank. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt. As at 31 December 2010 the Company had no borrowings and the capital, as defined by the management, consists of equity.

The the Company's gearing ratio is calculated as follows:

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Total borrowings (Note 17)	217,955,721	-
Less: Cash and cash equivalents (Note 14)	(12,253,214)	(3,662,435)
Net debt	205,702,507	(3,662,435)
Total equity	487,042,201	563,338,565
Total capital	692,744,708	559,676,130
Gearing ratio	29.69%	(0.65)%

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. Critical accounting estimates and judgements (continued)

• Functional currency

Significant judgement was required in determining the functional currency of the Company. The functional currency of the Company was determined to be US Dollar on the basis that the Company raised its capital in US Dollars and most investments were purchased using US Dollars.

5. Interest income

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Interest income	<u>8,724,826</u>	<u>116,927</u>
	<u>8,724,826</u>	<u>116,927</u>

6. Profit from investing activities

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Profit from sale of investments in subsidiaries	-	128
Return on investment (1)	<u>24,000,000</u>	<u>-</u>
	<u>24,000,000</u>	<u>128</u>

(1) The amount of US\$24m comprises income received from capital reduction completed by Company's subsidiary (Effusive Holding Limited).

7. Operating profit

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Operating profit is stated after charging the following items:		
Staff costs including Directors in their executive capacity (Note 8)	205,565	-
Auditors' remuneration	<u>65,772</u>	<u>65,773</u>

The operating expenses stated above include fees of US\$7,475 (2010: US\$ NIL) for tax consultancy services, charged by the Company's statutory audit firm.

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

8. Staff costs

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Wages and salaries	<u>205,565</u>	-
	<u>205,565</u>	-

9. Finance income / cost

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Finance income		
Bank interest	6	-
Fixed deposit interest	<u>1,359</u>	-
	<u>1,365</u>	-

Finance costs

Interest expense

Bank overdraft interest	1	-
Other finance expenses		
Bank charges	35,311	13,289
Sundry finance expenses	4,220,620	2,652,903
Net foreign exchange transaction losses		
Realised exchange loss	39,794	127
Unrealised exchange loss	<u>2,399,600</u>	<u>81</u>
	<u>6,695,326</u>	<u>2,666,400</u>

10. Tax

10.1 Tax recognised in profit or loss

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Corporation tax - current year / period	<u>165,341</u>	7,115
Charge for the year	<u>165,341</u>	<u>7,115</u>

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

10. Tax (continued)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Profit/ (loss) before tax	<u>21,246,010</u>	<u>(2,615,117)</u>
Tax calculated at the applicable tax rates	2,124,601	(261,512)
Tax effect of expenses not deductible for tax purposes	268,691	268,691
Tax effect of allowances and income not subject to tax	<u>(2,227,951)</u>	<u>(64)</u>
Tax charge	<u>165,341</u>	<u>7,115</u>

The Company is subject to corporation tax on taxable profits at the rate of 10%.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only subject to special defence contribution at the rate of 10%; increased to 15% as from 31 August 2011.

In certain cases dividends received from abroad may be subject to special defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

11. Investments in subsidiaries and associates

	2011	2010
	US\$	US\$
On 1 January / 24 August	419,200,211	-
Additions	15,675,609	470,600,211
Disposals	-	(51,400,000)
Balance at 31 December	<u>434,875,820</u>	<u>419,200,211</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Holding %</u>	2011 US\$	2010 US\$
Wallasey Ltd*	Cyprus	Financing	100	1,710	1,710
Longmoor Limited (1)	Cyprus	Holding and financing of Investments	100	-	241,352,501
Taavo Enterprises Limited	Cyprus	Holding and financing of Investments	50	9,583,300	-
Discovery Russian Realty Paveletskaya Project Ltd*	Cayman Islands	Holding	99.94	108,000,000	108,000,000
Effusive Holding Ltd & Flybase Investments Ltd	Cyprus	Holding and financing of Investments	100	69,810,198	69,810,198
Sandix Group B.V*	The Netherlands	Holding	100	33,242	33,242
Celera Corporation*	BVI	Holding	100	1	1
CJSC Horus Capital	Russia	Holding	0.0009	6,112	2,559
O1 Properties Management Ltd	Russia	Holding	100	1,231,100	-
Sharezone Capital Ltd* (1)	Cyprus	Holding and financing of Investments	100	240,878,315	-
Brightlink Holding Ltd	Cyprus	Holding and financing of Investments	100	1,363	-
Stabilac Ltd	Cyprus	Holding and financing of Investments	100	1,400	-
Xeroma Management Ltd	Cyprus	Holding and financing of Investments	100	1,379	-
Paremos Ltd*	Cyprus	Holding and financing of Investments	100	5,326,350	-
Bitlena Holdings Ltd	Cyprus	Holding and financing of Investments	100	<u>1,350</u>	-
				<u>434,875,820</u>	<u>419,200,211</u>

The ownership stakes marked (*) were pledged in relation to borrowings (Note 17) at respective dates.

(1) As part of group restructuring all underlying assets of Longmoor Limited were transferred to Sharezone Capital Limited. Following the transfer, Longmoor was disposed to a related party for a consideration of US\$ 1.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

12. Non-current loans receivable

	2011	2010
	US\$	US\$
Loans to own subsidiaries (Note 20)	149,452,666	26,259,329
Loans to related companies (Note 20)	<u>84,024,631</u>	<u>61,359,526</u>
	233,477,297	87,618,855
Less current portion	<u>(10,122,155)</u>	-
Non-current portion	<u>223,355,142</u>	<u>87,618,855</u>
The loans are repayable as follows:		
Within one year	10,122,155	-
Between one and five years	<u>223,355,142</u>	<u>87,618,855</u>
	<u>233,477,297</u>	<u>87,618,855</u>

The fair values of non-current receivables approximate to their carrying amounts as presented above.

13. Trade and other receivables

	2011	2010
	US\$	US\$
Trade receivables	-	132
Receivables from own subsidiaries (Note 20)	<u>51,432,252</u>	51,400,000
Receivables from related companies (Note 20)	<u>53,573</u>	-
Shareholders' current accounts - debit balances (Note 20)	<u>1,323</u>	6,501,318
Deposits and prepayments	<u>6,884,196</u>	-
Deferred expenses	-	4,200,000
Other receivables	<u>164,101</u>	-
	<u>58,535,445</u>	<u>62,101,450</u>

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

14. Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents include the following:

	2011	2010
	US\$	US\$
Cash at bank and in hand	<u>12,253,214</u>	<u>3,662,435</u>
	<u>12,253,214</u>	<u>3,662,435</u>

Non-cash transactions

The principal non-cash transactions are disclosed in the statement of cash flows. The Company periodically reviews the credit rating of financial institutions with which it has deposits.

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

15. Share capital

	2011 Number of shares	2011 €	2010 Number of shares	2010 €
Authorised				
Ordinary shares of €1 each	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
Issued and fully paid				
On 1 January / 24 August	13,000	17,764	-	-
Issue of shares	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>17,764</u>
Balance at 31 December	<u>13,000</u>	<u>17,764</u>	<u>13,000</u>	<u>17,764</u>

On 29 December 2011 the Board of Directors proposed and the shareholders of the Company passed a unanimous resolution for the reduction of the share premium account by USD 36 018 thousand and shareholder's contribution by USD 61 360 thousand. The reduction was settled with the transfer of financial instruments on 29 December 2011. The share premium reduction was subject to the approval of the Nicosia District Court. On 21 March 2012 the resolution for the reduction of share premium was approved by the Nicosia District Court and the Company Secretary proceeded with its submission to the Registrar of Companies on 28 March 2012.

Under its Memorandum the Company fixed its share capital at 1,000 ordinary shares of nominal value of €1 each. On the 11 November 2010 and 1 December 2010 the authorised share capital of the Company was increased to 10,000 shares and then 13,000 shares respectively, of a nominal value of €1 each.

Upon incorporation on 24 August 2010 the Company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par. On the 11 November 2010, the Company issued 9,000 shares of €1 each at premium of €32,048 each. On the 1 December 2010, the Company issued 9,000 shares of €1 each at premium of €25,930 each.

16. Shareholders contribution

	2011 US\$	2010 US\$
On 1 January / 24 August	61,359,526	-
Proceeds for the year / period (Note 15)	-	61,359,526
Repayments for the year / period (Note 15)	<u>(61,359,526)</u>	<u>-</u>
Balance at 31 December	<u>-</u>	<u>61,359,526</u>

Shareholder's contribution was recognised when the shareholder contributed assets for which the Company has no repayment obligations.

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

17. Borrowings

	2011 US\$	2010 US\$
Current borrowings		
Short term loans (Note 14)	3,669,140	-
Loans from related companies (Note 20)	<u>40,668,860</u>	-
	<u>44,338,000</u>	-
Non current borrowings		
Other loans	111,874,090	-
Loans from subsidiaries (Note 20)	48,453,217	-
Loans from related companies (Note 20)	<u>13,290,414</u>	-
	<u>173,617,721</u>	-
Total	<u>217,955,721</u>	-
Maturity of non-current borrowings:		
Between one to two years	124,173,859	-
Between two and five years	<u>49,443,862</u>	-
	<u>173,617,721</u>	-

On the 30 December 2011 an agreement was signed with VTB Capital for the loan amount 263,000,000 USD carrying interest at a 3 month LIBOR plus 6.25% plus 4.35% capitalised interest. The loan is repayable by 30 December 2014.

18. Trade and other payables

	2011 US\$	2010 US\$
Shareholders' current accounts - credit balances (Note 20)	30,000,005	-
Trade payables and accruals	53,950	65,773
Other creditors	4,051,007	9,148,000
Payables to own subsidiaries (Note 20)	<u>31,777</u>	23,498
	<u>34,136,739</u>	9,237,271

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

19. Current tax liabilities

	2011 US\$	2010 US\$
Corporation tax	<u>7,115</u>	7,115
	<u>7,115</u>	7,115

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. Related party transactions

The Company is controlled by O1 Group Limited (formerly Salastar Investments Limited), incorporated in Cyprus, which owns 95.246% (2010: 99.99%) of the Company's shares. The Company's ultimate controlling party is Mr Boris Mints.

The following transactions were carried out with related parties:

20.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Directors' remuneration	<u>205,565</u>	<u>-</u>
	205,565	-

20.2 Interest income

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Flybase Investments Ltd	3,246,299	4,384
CJSC 'Stroypromplast'	3,984,637	112,544
Sandix Group B.V.	1,143	-
Dawson Int'l Inc.	1,350,270	-
Xeroma Management Ltd	60,304	-
Paremos Ltd	20,718	-
	<u>8,663,371</u>	<u>116,928</u>

20.3 Interest expense

	Year ended 31 December 2011 US\$	Period from 24 August 2010 to 31 December 2010 US\$
Horus Capital	520,504	-
Effusive Holdings Ltd	389,769	-
O1 Trust Services Ltd	31,562	-
Krugozor Business Center (Cyprus) Ltd	30,432	-
Le Fortaco Ltd	20,471	-
Business Center Stanislavsky (Cyprus) Ltd	21,960	-
Avion Corporate Business Center (Cyprus) Ltd	11,878	-
Calyasca Ltd	2,236	-
Sharezone Capital Ltd	243,860	-
	<u>1,272,672</u>	<u>-</u>

01 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. Related party transactions (continued)

20.4 Receivables from subsidiaries (Note 13)

<u>Name</u>	<u>Nature of transactions</u>	2011 US\$	2010 US\$
Celera Corporation	Finance	51,400,854	51,400,000
Sandix Group B.V.	Finance	31,398	-
Levisoma Trading Ltd	Finance	595	-
Boxar Holdings Ltd	Finance	20,303	-
Talisia Investments Ltd	Finance	18,677	-
Crossriver Ltd	Finance	6,259	-
Eagleman Ltd	Finance	4,770	-
Reindex Ltd	Finance	1,436	-
Lightnet Ltd	Finance	1,532	-
Lemnar Capital Inc.	Finance	1	-
		51,485,825	51,400,000

The receivables from subsidiaries are interest free and repayable on demand.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. Related party transactions (continued)

20.5 Loans to related parties (Note 12)

		2011	2010
		US\$	US\$
Loan with Flybase Investments Ltd	Principal	-	2,000,000
	Interest	-	4,383
Assignment with Flybase Investments Ltd-	Principal	30,000,000	23,340,000
	Interest	2,805,501	914,946
Loan with Dawson Int'l Inc.	Principal	15,003,000	15,003,000
	Interest	1,427,954	77,684
Novation with Stroypromplast		47,498,307	46,278,842
Loan with Sandix Group B.V.	Principal	50,000	-
	Interest	1,142	-
Loan with Xeroma Management Ltd	Principal	10,005,000	-
	Interest	60,304	-
Loan with Paremos Ltd	Principal	106,510,000	-
	Interest	20,718	-
Loan with Thaletta s.a.	Principal	5,496,554	-
	Interest	58,895	-
Loan with Firma Morova	Principal	54,450	-
	Interest	2,401	-
Loan with O1 Group Ltd	Principal	14,473,554	-
	Interest	9,517	-
		<u>233,477,297</u>	<u>87,618,855</u>

The loan to Flybase Investments Ltd was provided at an interest of 8%, and was repaid on 15 February 2011. The Assignment with Flybase Investments Ltd was assigned at an interest of 8% and is repayable by 15 June 2015.

The Novation deed with Dawson International Inc. was assigned from Thaletta S.A. on the 31 December 2010. The original loan agreement, dated 10 Decemeber 2010, has an interest rate of 9%, and is repayable by 9 December 2011.

The Novation deed with Stroyplomplast was assigned from Thaletta S.A. on the 31 December 2010 which consist of a principal balance of RUB 1,157,005,699 and interest accrued of RUB 253,418,582.94. The loans assigned are payable by 31 December 2015.

The loan to Sandix Group B.V. was provided at an interest of 6%, and is repayable by 11 July 2014.

The loan to Xeroma Management Ltd was provided at an interest of 5%, and is repayable by 31 Decemeber 2012.

The loan to Paremos Ltd was provided at an interest of 7.10%, and is repayable by 30 June 2015.

The loan to Thaletta s.a. was provided at an interest of 6%, and is repayable by 29 June 2014.

The loan to Firma Morova was provided at an interest of 13.10%, and is repayable by 20 May 2012.

The loan to O1 Group Ltd was provided at an interest of 8%, and is repayable by 24 May 2016.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. Related party transactions (continued)

20.6 Payables to related parties (Note 18)

Name	Nature of transactions	2011 US\$	2010 US\$
Sandix Group B.V.	Finance	23,498	23,498
Sharezone Capital Ltd	Finance	1,437	-
Brightlink Holding Ltd	Finance	1,363	-
Stabilac Ltd	Finance	1,400	-
Xeroma Management Ltd	Finance	1,379	-
Paremos Ltd	Finance	1,350	-
Bitlena Holding Ltd	Finance	1,350	-
		31,777	23,498

20.7 Loans from related undertakings (Note 17)

		2011 US\$	2010 US\$
Loan with Horus Capital	Principal	3,407,809	-
	Interest	76,780	-
Loan with Effusive Holding Ltd	Principal	12,050,000	-
	Interest	249,769	-
Loan with Sharezone Capital Ltd	Principal	32,425,000	-
	Interest	243,860	-
Loan with O1 Trust Services Ltd	Principal	8,000,000	-
Loan with Krugozor Business Center (Cyprus) Ltd	Principal	17,036,425	-
	Interest	29,762	-
Loan with Le Fortaco Ltd	Principal	9,623,895	-
	Interest	20,020	-
Loan with Business Center Stanislavsky (Cyprus) Ltd	Principal	11,978,631	-
	Interest	21,477	-
Loan with Avion Corporate Business Center (Cyprus) Ltd	Principal	6,187,345	-
	Interest	11,617	-
Loan with Calyasca Ltd	Principal	1,047,914	-
	Interest	2,187	-
		102,412,491	-

The loan from associated company CJSC Horus Capital was provided at an interest of 8%, and is repayable by 17 February 2016.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

20. Related party transactions (continued)

The loan from associated company Effusive Holding Ltd was provided at an interest of 5%, and is repayable by 6 May 2014.

The loan from associated company Sharezone Capital Ltd was provided at an interest of 5%, and is repayable by 31 December 2012.

The loan from associated company O1 Trust Services Ltd was provided at an interest of 12%, and is repayable by 15 January 2012.

The loans from associated companies Krugozor Business Center (Cyprus) Ltd, Le Fortaco Ltd, Business Center Stanislavsky (Cyprus) Ltd, Avion Corporate Business Center (Cyprus) Ltd and Calyasca Ltd were provided at an interest of 10%, and are repayable by 16 December 2016.

20.8 Shareholders' current accounts - debit balances (Note 13)

	2011	2010
	US\$	US\$
Amounts owed for share capital	<u>1,323</u>	<u>6,501,318</u>
	<u>1,323</u>	<u>6,501,318</u>

The USD6,501,318 relates to a balance due for the issue of shares plus the share premium.

20.9 Shareholders' current accounts - credit balances (Note 18)

	2011	2010
	US\$	US\$
Amounts owed to shareholders	<u>30,000,005</u>	-
	<u>30,000,005</u>	-

The shareholders' current accounts are interest free, and have no specified repayment date.

21. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2011.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

22. Commitments

Operating environment of the Company. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The recent global financial crisis has had a severe effect on the Russian economy and the financial situation in the Russian financial and corporate sectors significantly deteriorated since mid-2008. In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to predict all developments which could have an impact on the Russian economy and consequently what effect, if any, they could have on the future financial position of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business.

Guarantees. Guarantees and other securities (including shares pledged for third parties liabilities and referred to above under shares pledged) are irrevocable assurances that the Company will make payments in the event that another party cannot meet its obligations. The Company has guaranteed the following obligations:

In thousands of US Dollars	31 December 2011		31 December 2010	
	Guaranteed liability amount	Payment dates of guaranteed liabilities	Guaranteed liability amount	Payment dates of guaranteed liabilities
O1 Properties Ltd	-	-	85 000	22 November 2013
O1 Properties Ltd	32 100	26 November 2012	34 200	26 November 2012
O1 Properties Ltd	24 000	13 December 2012	24 000	13 December 2012
O1 Properties Ltd	-	-	24 000	27 July 2012
Total guaranteed liabilities	56 100		167 200	

Apart of amounts of guarantees mentioned above, the Company might be obliged to repay the accrued interests and other penalties. Management is of an opinion that the provision for these guarantees should not be created in these financial statements.

Assets pledged and restricted. At 31 December 2011 and 2010 all shares in the Company were pledged in relation of guarantees issued in relation to obligations of immediate shareholder. Also refer to Note 11 for the information on shares of subsidiaries of the Company pledged.

O1 PROPERTIES LIMITED (FORMERLY TONEBOL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

23. Significant events after the reporting period

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 company under the name O1 Properties Limited.

Refer to Note 15 for the information on changes in share capital in 2012.

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