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# O1 Properties Limited

Original (signed)

*Report and financial statements*

*31 December 2013*

pwc

# O1 PROPERTIES LIMITED

SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2013

IN US DOLLARS

# 01 PROPERTIES LIMITED

## SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2013

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# 01 PROPERTIES LIMITED

## BOARD OF DIRECTORS AND OTHER OFFICERS

| | |
|---|---|
| **Board of Directors:** | Dmitriy Mints<br>Tomasz Zamiara<br>Michael Stanton<br>Alexander Ostrovskiy<br>Timothy Fenwick<br>Richard Gregson<br>John Nacos<br>Konstantin Yanakov (Appointed on 10 March 2014) |
| **Company Secretary:** | Theonitsa Andriana Constantinou |
| **Registered office:** | 18 Spyrou Kyprianou<br>2nd floor<br>1075 Nicosia<br>Cyprus |
| **Registration number:** | HE 272334 |

# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of O1 Properties Limited or hereafter "The Company" presents its report and the audited separate financial statements of the Company for the year ended 31 December 2013.

**Change of name**
On 30 May 2011 the Company's name was changed from Tonebol Limited to O1 Properties Limited. 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, which are unchanged from last year, are the holding and financing of investments in financial assets at fair value through profit and loss comprising of investments in subsidiaries, with underlying operations in the Russian real estate market.

**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 on a stand-alone basis are presented in the financial statements of the Company. The Company's loss for 2013 amounted to US$121,916,169 arising primarily from fair value loss on financial assets at fair value through profit or loss (2012: net profit of US$304,290,995 arising primarily from fair value gains on financial assets at fair value through profit or loss. The Company's total assets amounted to US$1,828,850,126 (2012: US$1,684,454,172) and its net assets amounted to US$ 1,570,867,736 (2012: US$ 1,313,008,195).

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in notes 3, 29 and 30 of the financial statements.

**Results**
The Company's results for the year are set out on page 7. The net loss for the year is carried forward.

**Dividends**
During 2013 the Board of Directors approved the payment of dividends amounting to US$52,556 thousand out of retained earnings (2012: US$3,950 thousand).

**Share capital**

For changes in the share capital of the Company refer to Note 24.

**Dividends**

In December 2012 the Board of Directors approved the payment of a dividend of USD 3 950 thousand to the holders of the preference shares.

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

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

**Board of Directors**
The members of the Company's Board of Directors as at 31 December 2013 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2013, except Mr Konstantin Yanakov who was appointed as an additional director of the Company on 10 March 2014.

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.

# 01 PROPERTIES LIMITED

## REPORT OF THE BOARD OF DIRECTORS

**Significant events after the reporting period**
Significant events that occurred after the end of the reporting period are described in note 31 to the 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,

Theonitsa Andriana Constantinou
Secretary

18 November 2014

# Independent auditor's report
## To the Members of O1 Properties 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 2013, 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 about 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 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

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*P O Box 21612, CY-1591 Nicosia, Cyprus*
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**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 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 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.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013.

George C. Kazamias

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, Cyprus
18 November 2014

# 01 PROPERTIES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

| | Note | 2013 US$ | 2012 US$ |
|---|---|---|---|
| Interest income | 5 | **13,269,215** | 27,412,512 |
| Dividend income | 17 | **248,200,573** | - |
| Net (loss)/gain from financial assets at fair value through profit and loss | 7 | **(350,175,878)** | 331,635,189 |
| Other income | 6 | **4,098,980** | - |
| Administration expenses | 8 | **(14,494,400)** | (19,623,492) |
| Other losses | 9 | **(2,364,053)** | (1,619,164) |
| **Operating (loss)/profit** | | **(101,465,563)** | 337,805,045 |
| Finance costs | 11 | **(20,447,485)** | (33,514,050) |
| **(Loss)/profit before tax** | | **(121,913,048)** | 304,290,995 |
| Tax | 12 | **(3,121)** | - |
| **(Loss)/profit for the year** | | **(121,916,169)** | 304,290,995 |
| **Other comprehensive income** | | - | - |
| **Total comprehensive (loss)/income for the year** | | **(121,916,169)** | 304,290,995 |

The notes on pages 11 to 47 form an integral part of these separate financial statements.

# 01 PROPERTIES LIMITED

## STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

| | Note | 31/12/2013 US$ | 31/12/2012 US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Financial assets at fair value through profit and loss | 17 | **1,461,239,672** | 1,334,375,294 |
| Investments in associate | 18 | **-** | 9,583,300 |
| Loans receivable | 21 | **49,624,145** | 294,162,727 |
| | | **1,510,863,817** | 1,638,121,321 |
| **Current assets** | | | |
| Available-for-sale financial assets | 19 | **658,548** | - |
| Derivative financial instruments | 20 | **2,027,023** | - |
| Loans receivable | 21 | **35,944,600** | 17,781,224 |
| Receivables | 22 | **277,678,022** | 25,936,968 |
| Cash and cash equivalents | 23 | **1,678,116** | 2,614,659 |
| | | **317,986,309** | 46,332,851 |
| **Total assets** | | **1,828,850,126** | 1,684,454,172 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 24 | **1,025,531** | 667,804 |
| Redeemable preference shares | 24 | **-** | 168 |
| Share premium - ordinary shares | 24 | **1,065,790,799** | 471,245,927 |
| Share premium - redeemable preference shares | 24 | **-** | 167,899,832 |
| Share based payment reserve | | **5,329,321** | - |
| Retained earnings | | **498,722,085** | 673,194,464 |
| **Total equity** | | **1,570,867,736** | 1,313,008,195 |
| **Non-current liabilities** | | | |
| Borrowings | 25 | **155,749,532** | 294,894,593 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **47,672,125** | 47,139,062 |
| Borrowings | 25 | **53,865,626** | 25,272,787 |
| Derivative financial instruments | 20 | **685,525** | 4,132,419 |
| Current tax liabilities | 27 | **9,582** | 7,116 |
| | | **102,232,858** | 76,551,384 |
| **Total liabilities** | | **257,982,390** | 371,445,977 |
| **Total equity and liabilities** | | **1,828,850,126** | 1,684,454,172 |

On 18 November 2014 the Board of Directors of 01 Properties Limited authorised these financial statements for issue.

| | | |
|---|---|---|
| ................................ | ................................ | ................................ |
| Dmitry Mints | Alexander Ostrovskiy | Tomasz Zamiara |
| Director | Director | Director |

The notes on pages 11 to 47 form an integral part of these separate financial statements.

# STATEMENT OF CHANGES IN EQUITY
## For the year ended 31 December 2013

| | Note | Share capital | Redeemable preference shares | Share premium – ordinary shares | Share premium – redeemable preference shares | Shareholders contribution | Share based payment reserve | Retained earnings (1) | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Balance - 1 January 2012** | | **17,764** | **-** | **468,566,000** | **-** | **-** | **-** | **372,853,469** | **841,437,233** |
| **Comprehensive income** | | | | | | | | | |
| Net profit for the year | | - | - | - | - | - | - | 304,290,995 | 304,290,995 |
| **Transactions with owners** | | | | | | | | | |
| Issue of share capital | 24 | 650,040 | 168 | 2,679,927 | 167,899,832 | - | - | - | 171,229,967 |
| Dividends | 13 | - | - | - | - | - | - | (3,950,000) | (3,950,000) |
| **Balance at 31 December 2012** | | **667,804** | **168** | **471,245,927** | **167,899,832** | **-** | **-** | **673,194,464** | **1,313,008,195** |
| **Comprehensive loss** | | | | | | | | | |
| Net loss for the year | | - | - | - | - | - | - | (121,916,169) | (121,916,169) |
| **Transactions with owners** | | | | | | | | | |
| Issue of share capital | 24 | 357,357 | 202 | 224,645,242 | 201,999,798 | - | - | - | 427,002,599 |
| Redemption of preference shares | 24 | 370 | (370) | 369,899,630 | (369,899,630) | - | - | - | - |
| Dividends | 13 | - | - | - | - | - | - | (52,556,210) | (52,556,210) |
| Share issue to top management | 24 | - | - | - | - | - | 5,329,321 | - | 5,329,321 |
| **Balance at 31 December 2013** | | **1,025,531** | **-** | **1,065,790,799** | **-** | **-** | **5,329,321** | **498,722,085** | **1,570,867,736** |

(1) 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 dividend 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 and is reduced back to 17% in respect of profits of years of assessment 2012 onwards. 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. This special contribution for defence is paid by the Company for the account of the shareholders.

**The notes on pages 1**1 to 47 form an integral part of these separate financial statements.

# 01 PROPERTIES LIMITED

## STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

| | Note | 2013 US$ | 2012 US$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **(Loss)/profit before tax** | | **(121,913,048)** | 304,290,995 |
| Adjustments for: | | | |
| Net loss/(gain) from the disposal of financial assets at fair value through profit and loss | 7 | **15,118,055** | (3,209,345) |
| Fair value (gain)/loss on derivative financial instruments | 7 | **(5,473,917)** | 4,132,420 |
| Fair value losses/(gains) on financial assets at fair value through profit and loss | 7 | **340,531,740** | (332,558,264) |
| Share-based payment compensation | 8 | **5,329,321** | - |
| Dividend income | 17 | **(248,200,573)** | - |
| Interest income | 5 | **(13,269,215)** | (27,412,512) |
| Foreign exchange (gain)/loss | | **(3,865,151)** | 2,692,090 |
| Interest expense | | **27,640,555** | 32,482,298 |
| **Cash flows used in operations before working capital changes** | | **(4,102,233)** | (19,582,318) |
| (Increase)/decrease in receivables | | **(31,161,325)** | 40,379,885 |
| Decrease in trade and other payables | | **163,559** | 2,713,172 |
| **Cash flows (used in)/from operations** | | **(35,099,999)** | 23,510,739 |
| Tax paid | | **(655)** | - |
| **Net cash flows (used in)/from operating activities** | | **(35,100,654)** | 23,510,739 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for purchase of financial assets at fair value through profit and loss | | **(26,145,242)** | (131,040,877) |
| Loans granted to related parties | | **(278,341,451)** | (222,634,168) |
| Loans repayments received | | **304,294,156** | 90,980,748 |
| Proceeds from sale of financial assets at fair value through profit and loss | | **89,158,466** | 75,639,425 |
| Interest received | | **18,057,121** | 17,373,475 |
| Dividends received | | **703,530** | - |
| **Net cash flows from/(used in) investing activities** | | **107,726,580** | (169,681,397) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of share capital | | **-** | 3,329,967 |
| Repayments of borrowings | | **(275,184,522)** | (154,251,029) |
| Proceeds from borrowings | | **284,642,672** | 306,215,289 |
| Interest and other finance costs paid | | **(30,464,409)** | (14,812,124) |
| Dividends paid | 13 | **(52,556,210)** | (3,950,000) |
| **Net cash flows (used in)/from financing activities** | | **(73,562,469)** | 136,532,103 |
| **Net decrease in cash and cash equivalents** | | **(936,543)** | (9,638,555) |
| Cash and cash equivalents at beginning of the year | | **2,614,659** | 12,253,214 |
| **Cash and cash equivalents at end of the year** | 23 | **1,678,116** | 2,614,659 |

**The notes on pages 1**1 to 47 form an integral part of these separate financial statements.

## STATEMENT OF CASH FLOWS
### For the year ended 31 December 2013 (continued)

**Non cash transactions:**

1. On 26 April 2012, as part of a group restructuring, the shares held in group companies Discovery Russian Realty Paveletskaya Limited, Effusive Holdings Limited, Flybase Investments Limited, Celera Corporation and Paremos Limited were transferred to another group company, Ratado Holdings Limited. The consideration for the shares transferred was settled by Ratado Holdings Limited by issuance of additional ordinary shares. A balance receivable of US$ 51,400 thousand from Celera Corporation was also assigned to Ratado Holings Limited as consideration for these shares.

2. On 17 October 2012, the Company acquired from a company controlled by the Ultimate Controlling Shareholder 100% interest in subsidiaries Hines DPIII Realty Limited (Cyprus), Hines DPIII Development Limited (Cyprus) and Tropical Sunset Holdings Inc. (British Virgin Islands) for a total cost of US$ 167,900 thousand. The consideration for the shares transferred was settled by the issue of 167,900 redeemable preference shares.

3. On 31 May 2013, the Company acquired 100% interest in subsidiary White Estates from a related party for USD 202 million. The consideration was settled by the issue of redeemable preference shares with a value of USD 202 million on 6 June 2013.

4. On 15 July 2013, the Company subscribed for 135,370,430 ordinary shares in Tropical Sunset Holdings Inc. at a subscription price of US$1.00 per share, being the total subscription price of US$135,370 thousand. The consideration payable for this subscription was settled through a set-off agreement whereby the consideration payable was offset against a corresponding receivable.

5. On 20 December 2013, the Company subscribed to the increase in the capital of subsidiary Sabaton Holdings Limited amounting to US$ 84,458,340. The consideration was settled by a set-off agreement with the loan receivable from Gunilla Limited.

6. On 31 October 2013, the Company entered into a set-off agreement discharging part of the following loans payables: a) the amount of RUB 47,386,633 (including the principal amount of RUB 11,488,488 plus interest of RUB 35,898,145) for a loan with group company, Krugozor Business Center (Cyprus) Limited, b) the amount of RUB 122,257,018 (including the principal amount of RUB 89,777,566 plus interest of RUB 32,479,452) for a loan with group company, Le Fortaco Limited, and c) the amount of RUB 130,067,323 (including the principal amount of RUB 107,519,691 plus interest of RUB 22,547,632) for a loan with group company, Business Center Stanislavsky (Cyprus) Limited.

7. On 20 November 2013, the Company assigned part of the following loans payables to group company, Sharezone Capital Limited: a) the principal amount of RUB 1,023,750,000 for a loan with group company, Krugozor Business Center (Cyprus) Limited, b) the principal amount of RUB 1,097,000,000 for a loan with group company, Le Fortaco Limited, c) the principal amount of RUB 953,550,000 for a loan with group company, Business Center Stanislavsky (Cyprus) Limited. The consideration for the assignment of loans payable was offset against the payable arising as a result of the dividend declared by Sharezone Capital Limited to O1 Properties Limited.

8. On 31 December 2013, the Company assigned the following loans payables to Sharezone Capital Limited: a) the amount of RUB 31,194,489 (including the principal amount of RUB 29,112,315 plus interest of RUB 2,082,174) for a loan with Krugozor Business Center (Cyprus) Limited, b) the amount of RUB 59,571,102 (including the principal amount of RUB 53,368,227 plus interest of RUB 6,202,875) for a loan with Le Fortaco Limited c) the amount of RUB 75,215,594 (including the principal amount of RUB 74,237,306 plus interest of RUB 978,287) for a loan with Business Center Stanislavsky (Cyprus) Limited. The consideration for the assignment of loans payable was offset against the payable arising as a result of the dividend declared by Sharezone Capital Limited to O1 Properties Limited.

9. On 31 December 2013, the Company subscribed to 1,000 shares in group company Xeroma Management Limited for a total consideration of US$8,825 thousand. On the same date the Company signed an assiĝnment agreement with group companies Freyamoon Limited and Xeroma Management Limited assigning to the Company a receivable from Freyamoon Limited amountint to US$ 1,871 thousand. The payable balance arising under this assignment agreement and the aforementioned subscription totalling US$ 11,297 thousand were set-off against the loan receivable from Xeroma Management Limited. On 31 December 2013, the Company sold the shares subscribed in Xeroma Management to third party, Bellrun for €1,000.

The above non-cash transactions are not reflected in the statement of cash flows.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2013

## 1. Incorporation and principal activities

### Country of incorporation

The Company O1 Properties 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's name was changed from Tonebol Limited to O1 Properties Limited. 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, which are unchanged from last year, are the holding and financing of investments in financial assets at fair value through profit and loss comprising of investments in subsidiaries, with underlying operations in the Russian real estate market.

### Period of the Company's operating cycle

The Company's operating turnover period does not exceed twelve months.

## 2. Accounting policies

The principal accounting policies adopted in the preparation of these separate 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss.

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

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 the Company's registered office at 18 Spyrou Kyprianou Avenue, 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 2013 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.

**2. Accounting policies (continued)**

**Adoption of New or Revised Standards and Interpretations**

At the date of the authorisation of the Company's separate 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 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 2013. This adoption did not have a material effect on the accounting policies of the Company, with the exception of IFRS 13, *"Fair Value Measurements"* which required certain additional disclosures on fair value measurement which are provided in Note 16.

At the date of approval of the Company's 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"(issued in July 2014 and effective from 1 January 2018).*
- *IFRS 14 "Regulatory Deferral Accounts" (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).*
- *IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014 and effective for annual periods beginning on or after 1 January 2017).*

**2. Accounting policies (continued)**
**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).*
- *Amendments to IAS 16 and IAS 38 – "Clarification of Acceptable Methods of Depreciation and Amortisation" (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016).*
- *Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (issued in May 2014 and effective for annual periods beginning on or after 1 January 2016).*
- *Amendments to IFRS10 and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (issued on 11 September 2014 and effective for annual periods beginning 1 January 2016).*
- *"Equity Method in Separate Financial Statements" – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016.*
- *Amendments to IAS 16 and IAS 41: "Bearer Plants" (issued 30 June 2014 and effective for annual periods beginning 1 January 2016).*

The Company is currently assessing the impact of the new accounting pronouncements on its separate financial statements

**Investment in subsidiaries**
Subsidiaries are those companies and other entities (including special purpose entities) in which the Company, 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 Company controls another entity.

**(i) Classification:**

The Company classifies its investments in subsidiaries as financial assets at fair value through profit or loss which are presented as non-current because they are held for long-term investment rather than for trading. Management determines the classification of financial assets at initial recognition. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Assets in this category are classified as current if they are either held for trading or expected to be realized within twelve months of the balance sheet date.

**(ii) Recognition and measurement:**

Regular way purchases and sales of financial assets are recognized on the trade date which is the date on which the Company commits to purchase or sell the financial assets. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expenses in statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income as part of the dividend income when the Company's right to receive payments is established. Whereby the Company the Company undertakes a group restructuring which results in a new intermediary holding company, with the transfer of previously held subsidiaries to a new intermediary holding company in exchange for the issue of shares by the new intermediary holding company, the Company determines the initial fair value of the new intermediary holding company with reference to the fair value of the subsidiaries transferred at the date of transfer.

### 2. Accounting policies (continued)

**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 associates are measured at cost less impairment. Investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss 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. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

**Revenue recognition**

Revenues earned by the Company are recognised on the following 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 costs**

Interest expense and other costs on borrowings to finance construction or production of qualifying assets are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

**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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on available-for-sale equity investments are recognised in other comprehensive income.

**2. Accounting policies (continued)**

**Current and deferred tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, 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 on 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.

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.

**Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the 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.

**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.

<u>Trade receivables</u>

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 original effective interest rate.

### 2. Accounting policies (continued)

**Financial instruments (continued)**

Loans granted

Loans granted by the Company by providing money directly to the borrower are initially recorded at fair value plus transaction costs. 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. After initial recognition loans and receivables are measured at amortised cost using the effective interest method.

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.

Investments

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

- Financial assets at fair value through profit or loss

  This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in the held for trading sub-category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise "receivables" and "cash and cash equivalents" and "loans receivable" in the statement of financial position.

- Available-for-sale financial assets

  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless the investment matures or management intends to dispose of the investment within twelve months of the balance sheet date.

### 2. Accounting policies (continued)

**Financial instruments (continued)**

Investments (continued)

Regular way purchases and sales of investments are recognised on the trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss as part of interest income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of dividend income when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Cash and cash equivalents

Cash and cash equivalents include 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.

Borrowings

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

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

### 2. Accounting policies (continued)

#### Financial instruments (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derivatives

Derivative financial instruments, including foreign exchange contracts and interest rate swaps, 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 Company 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 contract. The changes in fair value of derivatives are recognised in profit or loss.

#### Derecognition of financial assets and liabilities

*Financial assets*

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

- the assets are redeemed or the rights to receive cash flows from the asset otherwise expire;
- the Company has transferred substantially all the risks and rewards of ownership of the assets; or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has not retained control.

*Financial liabilities*

A financial liability, or a part of a financial liability, is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

#### Impairment of non-financial 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).

#### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

## 2. Accounting policies (continued)

### Transactions with equity owners/subsidiaries

The Company enters into transactions with shareholders and subsidiaries. When consistent with the nature of the transaction, the Company's accounting policy is to recognise (a) any gains or losses with equity holders and other entities which are under the control of the ultimate shareholder, directly through equity and consider these transactions as the receipt of additional capital contributions or the payment of dividends; and (b) any losses with subsidiaries as cost of investment in subsidiaries. Similar transactions with non-equity holders or subsidiaries are recognised through the profit or loss in accordance with IAS 39, 'Financial Instruments Recognition and Measurement'. The Company accounts for all the transactions with equity owners/subsidiaries, involving the disposals of subsidiaries at transaction price. If a gain or loss arises, this is accounted for as per above.

### Share capital and share premium

Ordinary shares are classified as equity.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Shares issued 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.

For equity settled share-based payment transactions whereby shares are issued as consideration for the acquisition of investments, the entity recognises investments at fair value with a corresponding increase in equity.

### Cash-settled share based payments plan

Certain directors and key management of the Company are entitled to a share based payments plan. The Company 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 re-measured 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.

### Equity-settled share-based payment plan

As from 2013 certain directors and key management of the Company are entitled to an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments issued by the Company. For such plans, the entity measures the services received, and the corresponding increase in equity, directly, at the fair value of the services received, unless that fair value cannot be estimated reliably. When the entity cannot estimate reliably the fair value of the services received, the entity measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The fair value of the equity instruments is measured at the grant date

### 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 exposure to the effects of fluctuations in the prevailing levels of market interest rates on the Company's financial position and cash flows. The Company is not exposed to any significant cash flow interest rate risk as its loans receivable and borrowings primarily comprise of loans receivable and borrowings carrying interest at fixed interest rates. Hence a change in market interest rates will not have any significant impact on the company's results and cash flows and hence no interest rate sensitivity disclosure is presented.

The table below presents the aggregated amounts of the Company's financial assets and financial liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

| | Less than 1 year | Between 1-5 years | More than 5 years | Total |
|---|---|---|---|---|
| | US$ | US$ | US$ | US$ |
| **31 December 2013** | | | | |
| Financial assets | 35,944,600 | 19,349,113 | 30,275,032 | 85,568,745 |
| Financial liabilities | (53,865,626) | (155,749,532) | - | (209,615,158) |
| | **(17,921,026)** | **(136,400,419)** | **30,275,032** | **(124,046,413)** |
| **31 December 2012** | | | | |
| Financial assets | 17,781,224 | 294,162,727 | - | 311,943,951 |
| Financial liabilities | (25,272,787) | (294,894,593) | - | (320,167,380) |
| | **(7,491,563)** | **(731,866)** | **-** | **(8,223,429)** |

The Company is exposed to fair value interest rate risk as the Company's loans receivable and borrowings primarily comprise of loans receivable and borrowings carrying interest at fixed interest rates. The Company does not actively management fair value interest rate risk as the Company's loans receivable and borrowings primarily comprise of loans receivable and borrowings with related parties.

**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 generally held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution. Information on the credit ratings of counterparty banks and the credit quality of financial assets is disclosed in Note 14.

**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.

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

| **31 December 2013** | Carrying amounts | Contractual cash flows | 3 months or less | Between 3-12 months | Between 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ |
| Bank borrowings | 10,002,466 | 10,109,178 | 10,109,178 | - | - | - |
| Trade and other payables | 1,395,122 | 1,395,122 | 1,395,122 | - | - | - |
| Payables to related companies | 46,277,003 | 46,277,003 | 46,277,003 | - | - | - |
| Borrowings from related companies | 199,612,692 | 228,696,283 | - | 46,944,070 | 181,752,213 | - |
| | 257,287,283 | 286,477,586 | 57,781,303 | 46,944,070 | 181,752,213 | - |

### 3. Financial risk management (continued)

### 3.3 Liquidity risk (continued)

| **31 December 2012** | 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$ |
|---|---|---|---|---|---|---|
| Bank borrowings | 160,148,841 | 198,330,391 | 10,200,390 | - | 188,130,001 | - |
| Other borrowings | 15,265,000 | 16,825,000 | - | 16,825,000 | - | - |
| Trade and other payables | 7,825,582 | 7,825,582 | 7,825,582 | - | - | - |
| Payable to shareholder | 2,331,141 | 2,331,141 | 2,331,141 | - | - | - |
| Payables to related companies | 36,982,339 | 36,982,339 | 36,982,339 | - | - | - |
| Borrowings from related companies | 144,753,539 | 195,769,626 | - | - | 195,769,626 | - |
| | 367,306,442 | 458,064,079 | 57,339,452 | 16,825,000 | 383,899,627 | - |

Details regarding cash flows on gross settled derivatives are as follows:

At 31 December 2013, the Company had interest rate swap contracts with a total notional amount of US$ 215,700,000 (2012: US$ 425,000,000) expiring on 28 July 2016 whereby the Company was paying a fixed interest rate of 0,835% in exchange of floating interest rate.

The Company also had a currency contract to purchase RUB 2,969,500,000 for US$ 90,121,396 expiring on 20 July 2017.

For further details on the Company's derivative financial instruments refer to Note 20.

### 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 functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, the United Kingdom Pound and the Russian Rouble. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

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

| **31 December 2013** | Euro US$ | Russian Rouble US$ | United Kingdom Pound US$ |
|---|---|---|---|
| Assets | | | |
| Cash at bank | 18,882 | 2,671 | - |
| Loans receivable | - | 15,737,178 | - |
| Receivables | 1,436,095 | 4,432,791 | 297,780 |
| | 1,454,977 | 20,172,640 | 297,780 |
| Liabilities | | | |
| Trade and other payables | (205,777) | (21,083) | - |
| Bank overdraft | (39) | - | - |
| | (205,816) | (21,083) | - |
| **Net exposure** | 1,249,161 | 20,151,557 | 297,780 |

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

**3. Financial risk management (continued)**

**3.4 Currency risk (continued)**

**31 December 2012**

| | Euro US$ | Russian Rouble US$ | United Kingdom Pound US$ |
|---|---|---|---|
| Assets | | | |
| Cash at bank | 1,505 | 37,566 | - |
| Loans receivable | - | 9,603,430 | - |
| Receivables | 615,946 | 11,987,072 | 1,814 |
| | 617,451 | 21,628,068 | 1,814 |
| Liabilities | | | |
| Trade and other payables | (104,283) | (14,391) | (96,276) |
| Borrowings | - | (105,789,473) | - |
| | (104,283) | (105,803,864) | (96,276) |
| **Net exposure** | 513,168 | (84,175,796) | (94,462) |

Sensitivity analysis
A 10% strengthening of the United States Dollars against the following currencies at 31 December 2013 (2012: 10%) 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.

| | **2013 US$** | 2012 US$ |
|---|---|---|
| Euro | **124,920** | 51,317 |
| United Kingdom Pounds | **29,778** | (9,446) |
| Russian Rouble | **2,015,156** | (8,417,580) |
| | **2,169,854** | (8,375,709) |

**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.

The Company's gearing ratio is calculated as follows:

| | **2013 US$** | 2012 US$ |
|---|---|---|
| Total borrowings (Note 25) | **209,615,158** | 320,167,380 |
| Less: Cash and cash equivalents (Note 23) | **(1,678,116)** | (2,614,659) |
| Net debt | **207,937,042** | 317,552,721 |
| Total equity | **1,570,867,736** | 1,313,008,195 |
| **Total equity** | **1,778,804,778** | 1,630,560,916 |
| **Gearing ratio** | **11,7%** | 19,5% |

### 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:

- **Impairment assessment for receivables**

  The Company reviews its loans receivables and trade and other receivables for evidence of impairment. Such evidence includes the counterparty's payment record and the counterparty's overall financial position. If indications of impairment exist, the recoverable amount is estimated and a respective impairment provision is recorded if required. The amount of the impairment loss is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **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.

- **Valuation of financial assets at fair value through profit or loss**

  The Company's financial assets at fair value through profit or loss comprise primarily non-listed investments. For details of valuation methods and critical estimates refer to Note 16.

- **Functional currency**

  The functional currency of the Company was determined based on the underlying economic conditions of its operations which are financing activities and sale and purchase of investments/holding of investments. This determination of what the specific underlying economic conditions are requires judgment. In making this judgment, the Company evaluates among other factors, the location of activities, the sources of revenue and expense and risks associated with activities. The Company concluded that its functional currency is the US Dollar, the currency in which funds are obtained and invested, receipts from activities are retained, the business risks and exposures are measured and performance of the business is measured.

### 5. Interest income

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Interest income on bank balances | **10,390** | - |
| Interest income from third parties | **1,455,416** | 159,901 |
| Interest income from related parties (Note 28.2) | **11,803,409** | 27,252,611 |
| | **13,269,215** | 27,412,512 |

### 6. Other income

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Agency fee income | **637,500** | - |
| Income from recharge of expenses to related parties (Note 28.10) | **3,461,480** | - |
| **Other income** | **4,098,980** | - |

### 7. (Loss)/profit from investing activities

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Net (loss)/gain from disposal of assets at fair value through profit and loss (a) | **(15,118,055)** | 3,209,345 |
| Fair value (losses)/gains on financial assets at fair value through profit and loss (Note 17) | **(340,531,740)** | 332,558,264 |
| Fair value gain/(loss) on derivative financial instruments | **5,473,917** | (4,132,420) |
| | **(350,175,878)** | 331,635,189 |

***(a) Net (loss)/gain from disposal of assets at fair value through profit and loss***

*2012 transactions:*

During 2012, the Company sold 100% of the shares held in CJSC Bolshevik to CJSC Finkomavto. The sale resulted in a loss of US$ 3 045 thousand.

During 2012, the Company sold 100% of the shares held in Collins Crest Limited to Glorem Trading Limited. The sale resulted in a gain of US$ 6 294 thousand.

During 2012 the shares held in Horus Capital and Brightlink Investments Limited were disposed. As a result a net loss of US$ 40 thousand was recognised.

*2013 transactions:*

During 2013 there was a cancelation of the sale of shares in Collins Crest Limited. As a result the Company incurred a loss of US$ 6 294 thousand reversing the gain recognised in 2012.

During 2013 the Company sold 100% of shares in Xeroma Management Limited to Bellrun Limited and incurred a loss of US$ 8 824 thousand.

### 8. Expenses by nature

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Share-based compensation – equity settled plan (Note 28.1) | **5,329,321** | - |
| Share-based compensation – cash settled plan (Note 28.1) | **-** | 11,000 |
| Professional fees | **5,295,401** | 2,502,042 |
| Legal fees | **1,085,357** | 1,570,635 |
| Directors' remuneration (Note 28.1) | **695,018** | 643,472 |
| Auditors' remuneration | **538,862** | 406,400 |
| Travelling | **398,220** | 139,069 |
| Administration fees | **357,347** | 870,564 |
| Marketing and promotion | **333,761** | 250,743 |
| Stamp duty | **155,830** | 123,792 |
| Certification and legalisation expenses | **72,475** | 94,931 |
| Entertaining | **70,173** | 35,044 |
| Non charitable donations | **55,620** | - |
| Sundry expenses | **43,018** | - |
| Insurance | **31,103** | 29,265 |
| Fines | **15,932** | - |
| Subscriptions and contributions | **10,082** | - |
| Catering expenses | **4,831** | - |
| Cleaning expenses | **1,399** | - |
| Inland travelling and accommodation | **525** | - |
| Telephone and postage | **125** | - |
| Agency fees | **-** | 9,080,750 |
| Repairs and maintenance | - | - |
| Non charitable donations | - | - |
| Other professional fees - IPO costs | **-** | 3,865,785 |
| | **14,494,400** | 19,623,492 |

The operating expenses stated above include fees of US$ 90,338 (2012: US$ 2,357) for tax consultancy services and US$ 300,857 (2012: US$ 1,013,803) for other assurance services, charged by the Company's statutory audit firm.

### 9. Other losses

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Net foreign exchange losses from operations | **1,705,505** | 1,619,164 |
| Impairment loss on bank balances | **658,548** | - |
| | **2,364,053** | 1,619,164 |

### 10. Key management compensation

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Share-based compensation – equity settled plan | **5,329,321** | - |
| Share-based compensation – cash settled plan | **-** | 11,000 |
| Directors' remuneration in their executive capacity | **695,018** | 643,472 |
| | **6,024,339** | 654,472 |

### 11. Finance costs

| | 2013 US$ | 2012 US$ |
|---|---|---|
| **Interest expense and other finance costs** | | |
| Borrowings finance costs | **27,495,655** | 32,315,295 |
| Bank charges | **144,900** | 167,003 |
| | **27,640,555** | 32,482,298 |
| **Net foreign exchange (gains)/losses from financing** | **(7,193,070)** | 1,031,752 |
| | **20,447,485** | 33,514,050 |

### 12. Tax

#### 12.1 Tax recognised in profit or loss

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Defence contribution | **3,121** | - |
| Corporation tax - current year | - | - |
| **Charge for the year** | **3,121** | - |

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

| | 2013 US$ | 2012 US$ |
|---|---|---|
| (Loss)/ profit before tax | **(121,913,048)** | 304,290,995 |
| Tax calculated at the applicable tax rates of 12.5% (2012: 10%) | **(15,239,131)** | 30,429,100 |
| Tax effect of expenses and losses not deductible for tax purposes | **49,825,121** | 3,444,631 |
| Tax effect of allowances, income and gains not subject to tax | **(33,437,958)** | (33,837,334) |
| Tax effect of utilisation of tax losses | **(1,148,032)** | (36,397) |
| Defence contribution | **3,121** | - |
| **Tax charge** | **3,121** | - |

### 12. Tax (continued)

The Company was subject to income tax on taxable profits at the rate of 10% up to the year 2012. The corporation tax rate increased to 12.5% as from 1 January 2013.

The Company and its directly held subsidiaries have not received any final tax assessments.

Under current tax legislation, tax losses may be carried forward and be set off against taxable income of the following five years.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011 and increased to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013, reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

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

Dividend income is exempt from Cyprus corporate income tax.

### 13. Dividends

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Dividends | **52,556,210** | 3,950,000 |
| | **52,556,210** | 3,950,000 |

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

In December 2012 the Board of Directors approved the payment of a dividend of USD 3 950 thousand to the holders of the preference shares.

### 14. Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

| | **2013** | 2012) |
|---|---|---|
| **Fully performing receivables** | **US$** | US$ |
| Counterparties without external credit rating | | |
| Other receivables | **699,889** | 6,327,888 |
| Promissory notes due from shareholders | **225,000,000** | - |
| Shareholders' current accounts – debit balances | **3,565** | 1,323 |
| Receivable from own subsidiary | **15,208,517** | 5,656,136 |
| Receivables from other group companies | **13,765,051** | 13,951,621 |
| | **254,677,022** | 25,936,968 |
| **Fully performing loans receivable** | | |
| Loans granted to related parties | **85,066,317** | 311,614,195 |
| Other loans granted | **502,428** | 329,756 |
| | **85,568,745** | 311,943,951 |
| **Derivative financial instruments with positive fair value** | | |
| Counterparties without external credit rating | | |
| Counterparties with no default history | **2,027,023** | - |

| | **2013** | 2012 |
|---|---|---|
| **Cash at bank and short term bank deposits** | **US$** | US$ |
| A (Fitch) | **22,178** | - |
| BB (Fitch) | **-** | 935,383 |
| BBB (Fitch) | **4,940** | 1,425,000 |
| B (Fitch) | **-** | 210,848 |
| BB- (Fitch) | **376,653** | 8,842 |
| B- (Fitch) | **-** | 6,604 |
| Caa1 (Moody's) | **-** | 27,982 |
| Caa2 (Moody's) | **12,026** | - |
| Ca (Moody's) | **1,194,886** | - |
| Other | **67,433** | - |
| | **1,678,116** | 2,614,659 |

The Company holds no collateral as security in relation to the above balances.

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

## 15. Presentation of Classes of Financial Instruments with Measurement Categories

The Company's accounting policy for financial assets and financial liabilities were applied in accordance with the following measurement categories:

| As at 31 December 2013 | Loans and receivables | Financial assets at fair value through profit or loss | Available-for-sale financial assets | To |
|---|---|---|---|---|
| | US$ | US$ | US$ | U |
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss | - | 1,461,239,672 | - | **1,461,239,6** |
| Loans receivable | 85,568,745 | - | - | **85,568,7** |
| Available-for-sale financial assets | - | - | 658,548 | **658,5** |
| Derivative financial instruments | - | 2,027,023 | - | **2,027,02** |
| Receivables (excluding prepayments) | 254,677,022 | - | - | **254,677,0** |
| Cash and cash equivalents | 1,678,116 | - | - | **1,678,1** |
| **Total** | 341,923,883 | 1,463,266,695 | 658,548 | **1,805,849,1** |

| As at 31 December 2013 | Financial liabilities at fair value through profit or loss | Other financial liabilities at amortised cost | To |
|---|---|---|---|
| | US$ | US$ | U |
| **Financial liabilities** | | | |
| Borrowings | - | 209,615,158 | **209,615,1** |
| Trade and other payables | - | 47,672,125 | **47,672,1** |
| Derivative financial instruments | 685,525 | - | **685,5** |
| **Total** | 685,525 | 257,287,283 | **257,972,8** |

| As at 31 December 2012 | Loans and receivables | Financial assets at fair value through profit or loss | Tot |
|---|---|---|---|
| | US$ | US$ | U |
| **Financial assets** | | | |
| Financial assets at fair value through profit or loss | - | 1,334,375,294 | **1,334,375,2** |
| Loans receivable | 311,943,951 | - | **311,943,9** |
| Receivables (excluding prepayments) | 25,936,968 | - | **25,936,9** |
| Cash and cash equivalents | 2,614,659 | - | **2,614,6** |
| **Total** | 340,495,578 | 1,334,375,294 | **1,674,870,8** |

| As at 31 December 2012 | Financial liabilities at fair value through profit or loss | Other financial liabilities at amortised cost | Tot |
|---|---|---|---|
| | US$ | US$ | U |
| **Financial liabilities** | | | |
| Borrowings | - | 320,167,380 | **320,167,3** |
| Trade and other payables | - | 47,139,062 | **47,139,0** |
| Derivative financial instruments | 4,132,419 | - | **4,132,4** |
| **Total** | 4,132,419 | 367,306,442 | **371,438,86** |

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

## 16. Fair Value of Financial Instruments

Fair value is the price that would ne received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values have been determined by the Company 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. 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.

***Derivative financial instruments.*** The derivative financial instruments (Note 20) that are measured at fair value at 31 December 2013 and 31 December 2012 are valued using Level 2 valuation method.

***Financial assets at fair value through profit or loss.*** The fair values of the financial assets at fair value through profit or loss (Note 17) are based on Level 3 valuations. These valuations are determined based on the net asset values of the underlying investment property subsidiary companies. For such subsidiaries which hold investment properties in Russia, net assets are determined to be a proxy for their fair value, as they reflect the fair value of the investment properties on their balance sheet. In determining the fair value of the investment properties, management uses valuation reports of independent property valuers who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. The fair value of investment properties was determined mainly using discounted cash flow valuation techniques. The Group used assumptions that were 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:

| *In thousands of US Dollars* | **Valuation technique** | **Inputs used in valuation of investment properties** | **Range of inputs (weighted average)** | **Reasonable change (% of input)** | **Sensitivity of fair value measurement** |
|---|---|---|---|---|---|
| Subsidiaries holding yielding investment property | Discounted Cash Flow Technique | Discount rates | 9.5 - 14.0% | +10 % | (136 080) |
| | | | | -10 % | 144 400 |
| | | Estimated rental value | 200-2000 USD/ sq.m. | +10 % | 160 532 |
| | | | | -10 % | (160 365) |
| | | Exit capitalization rates | 8.5 - 10.0% | +10 % | (194 640) |
| | | | | -10 % | 238 000 |
| Subsidiaries holding investment property under development | Discounted Cash Flow Technique | Discount rates | 17.0 - 18.0% | +10 % | (9 040) |
| | | | | -10 % | 10 080 |
| | | Estimated rental value | 300-800 USD/ sq.m. | +10 % | 16 507 |
| | | | | -10 % | (16 891) |
| | | Exit capitalization rates | 9.5 % | +10 % | (11 920) |
| | | | | -10 % | 14 640 |

### 16. Fair Value of Financial Instruments (Continued)

***Financial assets at fair value through profit or loss (continued).***

The sensitivity of fair value measurement to change of inputs is estimated by adjusting the variable and assuming that other variables remain the same.

During the year 2013, the fair value of financial assets at fair value through profit or loss has incorporated into the fair value of the investments in subsidiaries the deferred taxation arising in relation to fair value adjustments on the investment properties held through the Company's subsidiaries. The impact of this adjustment to the fair value as at 31 December 2013 and for the year then ended amounted to US$92.998.996. This input to the fair valuation represents an unobservable input and its determination requires that exercise of significant judgement. Relevant conditions affecting this input to the valuation may change and the fair value of investments in subsidiaries to be realised through a future disposal may be different from the fair value of the investments in subsidiaries recorded in these separate financial statements.

During the year 2013 there were no re-classifications from or into Level 3 measurements.

***Cash and cash equivalents.*** Cash and cash equivalents are carried at nominal amount.

***Financial assets and liabilities carried at amortized cost.*** Financial assets carried and liabilities are carried at amortized cost which approximates their current fair value.

### 17. Financial assets at fair value through profit and loss

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| On 1 January | **1,334,375,294** | 779,687,552 |
| Additions | **555,795,339** | 298,940,877 |
| Disposals | **(97,982,521)** | (76,811,399) |
| Reclassification from Investment in Associate (Note 18) | **9,583,300** | - |
| Revaluation (Note 7) | **(340,531,740)** | 332,558,264 |
| **Balance at 31 December** | **1,461,239,672** | 1,334,375,294 |

### 17. Financial assets at fair value through profit or loss (continued)

The details of the subsidiaries at fair values are as follows:

| Name | Country of incorporation | Principal activities | **2013** Holding % | 2012 Holding % | **2013 US$** | 2012 US$ |
|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | |
| Wallasey Ltd | Cyprus | Financing | 100** | 100** | **57,250,762** | 61,713,537 |
| Ratado Holding Ltd | Cyprus | Holding and financing investments | 100 | 100* | **356,212,922** | 555,583,000 |
| Discovery Russian Realty Paveletskaya Project Ltd | Cayman Islands | Holding | 100 | 0 | - | - |
| O1 Properties Management Ltd | Russia | Services | 100 | 100 | **867,000** | 1,064,000 |
| Sharezone Capital Ltd | Cyprus | Holding and financing investments | 100** | 100** | **306,361,636** | 390,787,000 |
| Stabilac Ltd | Cyprus | Financing | 100 | 100 | **1,663,861** | 3,078,611 |
| Bitlena Holdings Ltd | Cyprus | Holding and financing investments | 100 | 100 | **131,289,203** | - |
| Valnaz Investments Ltd | Cyprus | Holding and financing investments | 100 | 100 | **26,009,707** | 19,108,734 |
| Eagleman Ltd | Cyprus | Financing | 100 | 100 | - | - |
| LLC City-Developer | Russia | Services | 100 | 100 | - | - |
| CJSC Nash Standart | Russia | Services | 100 | 100 | **924,000** | 875,000 |
| *Hines DPIII Development Limited (2)* | *Cyprus* | *Holding* | *100*** | *100*** | ***76,194,827*** | *164,051,406* |
| *Hines DPIII Realty Ltd* | *Cyprus* | *Holding* | *100*** | *100*** | ***65,478,646*** | *138,110,359* |
| *Tropical Sunset Holdings Inc* | *BVI* | *Holding and financing investments* | *100*** | *100*** | - | - |
| *Lomnia Services Ltd* | *Cyprus* | *Holding* | *0* | *100* | - | *1,032* |
| *Quotex Ltd* | *Cyprus* | *Holding* | *0* | *100* | - | *13* |
| *Annabeth Services Ltd* | *Cyprus* | *Inactive* | *0* | *100* | - | *1,296* |
| *Letvion Investments Ltd* | *Cyprus* | *Inactive* | *85* | *100* | - | *1,306* |
| *Hannory Holdings Ltd* | *Cyprus* | *Inactive* | *100* | *100* | - | - |
| *Collins Crest Limited* | *Cyprus* | *Holding* | *100* | *0* | - | - |
| LLC Semela | Russia | Inactive | 0 | 100 | - | - |
| Blandid Limited | Cyprus | Inactive | 100 | 100 | **28,332,430** | - |
| Taavo Enterprises Ltd | Cyprus | Holding and financing investments | 85** | 50** | **16,659,927** | - |
| Invery Management Ltd | BVI | Financing | 10 | 0 | **10,738,656** | - |
| White Estate Investments Ltd | BVI | Holding and financing investments | 100 | 0 | **214,066,012** | - |
| Mokati Ltd | Cyprus | Holding and financing investments | 100 | 0 | **65,554,334** | - |
| Kolston Group Ltd | BVI | Inactive | 100 | 0 | **44,000** | - |
| Fundin Investments Ltd | Cyprus | Financing | 100 | 0 | - | - |
| Thabit Holdings Ltd | Cyprus | Inactive | 100 | 0 | - | - |
| Mumford Ltd | Cyprus | Inactive | 100 | 0 | - | - |
| Minesign Ltd | Cyprus | Inactive | 100 | 0 | - | - |
| Sabaton Holdings Ltd | Cyprus | Holding and financing investments | 100 | 0 | **88,806,233** | - |
| Cemvertia Holdings Ltd | Cyprus | Holding and financing investments | 100 | 0 | **14,785,516** | - |
| | | | | | **1,461,239,672** | 1,334,375,294 |

The ownership stakes marked (*) were pledged in relation to borrowings of the Company (Note 25) at the respective dates.

The ownership stakes marked (**) were pledged in relation to borrowings of other group companies at the respective dates.

### 17. Financial assets at fair value through profit or loss (continued)

The following are transactions affecting the investments in subsidiaries during the years ended 31 December 2012 and 2013:

*2012 transactions*

During 2012, the Company undertook a group restructuring which resulted in a new sub-holding company, Ratado Holdings Ltd, to which subsidiaries previously held by O1 Properties Limited were transferred. The consideration for the shares transferred to Ratado Holdings Ltd was settled by the issuance of additional ordinary shares by Ratado Holdings Ltd to O1 Properties Ltd. The fair value of Ratado Holdings Ltd as at the date of the transfer was determined with reference to the fair value of the subsidiaries transferred. This restructuring did not give rise to any gains or losses as at the date of the restructuring

On 17 October 2012 the Company acquired from a company controlled by the Ultimate Controlling Shareholder 100% interest in Hines DPIII Realty Limited (Cyprus), Hines DPIII Development Limited (Cyprus) and Tropical Sunset Holdings Inc. (British Virgin Islands) for a total cost of US$ 167,900,000. The consideration for the shares transferred was settled by the issue of 16,790 preference shares.

On 2 February 2012, the Company purchased 100% of the share capital of CJSC Bolshevik for US$ 76 045 thousand. The investment in CJSC Bolshevik was sold on 3 September 2012 for US$ 73 000 thousand.

*2013 transactions*

On 9 January 2013, the Company sold 100% of shares in Lomnia Services Limited to Quotex Limited for € 1,000.

On 21 January 2013, the Company contributed to the incorporation of a new Company Mokati Limited for 1,000 shares of €1 each.

On 6 February 2013, the Company sold 100% of shares in Quotex Limited to Mokati Limited for € 1,000.

On 8 April 2013, the Company acquired 100% of shares in Yellow Wall S.a.r.l. from Centralis S.A. for € 12,500 and on 25 November 2013, the Company sold these shares to Wallasey Limited for € 12,500.

On 2 May 2013, the Company acquired 45,000 shares in Invery Management Limited from Barrowgate International Inc. for US$ 45,000 and on the same date the Company acquired the remaining 5,000 shares in Invery Management Limited in the form of a subscription agreement whereby the Company paid US$ 98,996 thousand. On 31 December 2013, the Company sold 45,000 shares in Invery Management Limited to Ratado Holding Limited for US$ 89,152 thousand.

On 16 May 2013, the Company sold 100% of shares in Annabeth Services Limited to Letvion Investments Limited for € 1,000.

On 16 May 2013, the Company sold 100% of shares in Letvion Investments Limited to Taavo Enterprises Limited for € 1,000. On 25 July 2013, the Company acquired 85% of shares in Letvion Investments Limited from Taavo Enterprises Limited for € 850.

On 30 May 2013, the Company contributed to the incorporation of a new Company Kolston Group Limited for 50,000 shares of US$ 1 each.

On 31 May 2013, the Company acquired 100% of shares in White Estates Investments Limited from a shareholder in the Company. The consideration of US$ 202,000 thousand was settled by the issue of redeemable preference shares.

On 12 June 2013, the Company contributed to the incorporation of a new Company Fundin Investments Limited for 1,000 shares of €1 each.

On 13 June 2013, the Company contributed to the incorporation of a new Company Gunilla Limited for 1,000 shares of €1 each. On 20 November 2013, the Company sold 100% of shares in Gunilla Limited to Sabaton Holding Limited for € 1,000.

### 17. Financial assets at fair value through profit and loss (continued)

*2013 transactions (continued)*

In August 2013, the Company acquired 100% of shares in Cemvertia Investments Limited from Senteriano Investments Limited, Maria Georgiadou and Despo Sokratous for US$ 14,428 thousand.

On 16 August 2013, the Company contributed to the incorporation of a new company Minesign Limited for 1,000 shares of €1 each.

On 31 October 2013, the Company contributed to the incorporation of a new company Mumford Limited for 1,000 shares of €1 each.

On 1 November 2013, the Company contributed to the incorporation of a new company Thabit Holdings Limited for 1,000 shares of €1 each.

On 20 November 2013, the Company contributed to the incorporation of a new company Sabaton Holdings Limited for 1,000 shares of €1 each. On 20 December 2013, the Company contributed to the increase of the share capital of Sabaton Holdings Limited for additional 1,000 shares of €1 each and for the increase in the share premium for US$ 84,458 thousand.

On 31 December 2013, the Company subscribed to 1,000 shares in Xeroma Management Limited at a premium totalling USD 8,825,361. On the same date, the Company sold the shares subscribed in Xeroma Management Limited to Bellrun Limited for EUR 1,000.

*Dividend income from investments in subsidiaries*

The Company received dividends from its subsidiaries as follows:

| | **2013 US$** | 2012 US$ |
|---|---|---|
| Tropical Sunset Holdings Inc | **135,370,430** | - |
| Effusive Holdings Limited | **-** | - |
| Sharezone Capital Ltd | **112,126,613** | - |
| CJSC Nash Standart | **703,530** | - |
| | **248,200,573** | - |

### 18. Investment in associate

| | **2013 US$** | 2012) US$ |
|---|---|---|
| On 1 January | **9,583,300** | - |
| Additions | **-** | 9,583,300 |
| Reclassification to Financial assets at fair value through profit and loss (Note 17) | **(9,583,300)** | - |
| **Balance at 31 December** | **-** | 9,583,300 |

The details of the investments are as follows:

| Name | Country of incorporation | Principal activities | **2013 Holding %** | 2012 Holding % | **2013 US$** | 2012 US$ |
|---|---|---|---|---|---|---|
| Taavo Enterprises Ltd | Cyprus | Holding and financing investments | 85 | 50 | **-** | 9,583,300 |
| | | | | | **-** | 9,583,300 |

**18. Investment in associate (continued)**

The shares in Taavo Enterprises Ltd are pledged in respect of borrowings of other group companies.

On 11 February 2011 the Company acquired from Katalama Holdings Ltd 50% interest in Taavo Enterprises Ltd for a total cost of US$ 9,583,300.

On 4 April 2013 the Company acquired from Grace Intervest Ltd an additional 35% interest in Taavo Enterprises Ltd for a total cost of US$ 8,931,925.

As a result of the increase in shareholding to 85%, the above investment was reclassified to investment in subsidiaries which are classified and measured as financial assets at fair value through profit and loss.

**19. Available-for-sale financial assets**

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| On 1 January | **-** | - |
| Additions | **658,548** | - |
| **Balance at 31 December** | **658,548** | - |

At the end of March 2013 the Company's cash balances with Bank of Cyprus amounted to EUR 2 256 thousand. An amount of EUR 1 024 thousand representing 47.5% of the uninsured deposits has been converted to shares of Bank of Cyprus with nominal value of EUR 1 each following the bail in of uninsured depositors (amounts in excess of €100 thousand) for the recapitalisation of Bank of Cyprus.

Management's assessment is that an impairment loss of US$658.548 has been incurred in relation to the bank balances, which was recognised in profit or loss during the year ended 31 December 2013 (Note 9) and the shares received from the conversion of bank deposits into shares as described above was recognised at US$658,548.

**20. Derivative financial instruments**

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Assets – positive fair value | **2,027,023** | - |
| | **2,027,023** | - |

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Liabilities – negative fair value | **685,525** | 4,132,419 |
| | **685,525** | 4,132,419 |

At 31 December 2013, the Company had interest rate swap contracts with a total notional amount of US$ 215,700,000 (2012: US$ 425,000,000) expiring on 28 July 2016 whereby the Company was paying a fixed interest rate in exchange of floating interest rate.

The Company also had a currency contract to purchase RUB 2,969,500,000 for US$ 90,121,396 expiring on 20 July 2017.

At 31 December 2013 the net positive fair value of these contracts was US$ 1,341,498 (2012: negative fair value of US$ 4,132,419).

### 21. Loans receivable

| | 2013 | 2012) |
|---|---|---|
| | US$ | US$ |
| Loans to own subsidiaries (Note 28) | **35,806,230** | 284,178,750 |
| Loans to related companies (Note 28) | **49,260,087** | 27,435,445 |
| Loans to third parties | **502,428** | 329,756 |
| | **85,568,745** | 311,943,951 |
| Less current portion | **(35,944,600)** | (17,781,224) |
| **Non-current portion** | **49,624,145** | 294,162,727 |

| | | |
|---|---|---|
| The loans are repayable as follows: | | |
| Within one year | **35,944,600** | 17,781,224 |
| Between one and five years | **19,349,113** | 294,162,727 |
| After five years | **30,275,032** | - |
| | **85,568,745** | 311,943,951 |

The fair values of loans receivables approximate to their carrying amounts as presented above.

The Company does not hold any collateral in relation to the above loans receivable.

None of the above loans receivable were either past due or impaired.

### 22. Receivables

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| Receivables from own subsidiaries and other related companies (Note 28.4) | **28,973,568** | 19,607,757 |
| Receivables from shareholders (Note 28.8) | **225,003,565** | 1,323 |
| Prepayments | **23,001,000** | - |
| Other receivables | **699,889** | 6,327,888 |
| | **277,678,022** | 25,936,968 |

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

### 23. Cash and cash equivalents

Cash balances are analysed as follows:

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| Cash at bank | **1,678,116** | 2,614,659 |
| | **1,678,116** | 2,614,659 |

| **Analysis by currency:** | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| United States Dollars | **1,656,563** | 2,575,588 |
| Euro | **18,882** | 1,505 |
| Russian Rubble | **2,671** | 37,566 |
| | **1,678,116** | 2,614,659 |

# 01 PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

### 24. Share capital and share premium

**Issued and fully paid**

| | **Number of ordinary shares** | **Number of preference shares** | **Share capital US$** | **Share premium – ordinary shares US$** | **Share premium – redeemable preference shares US$** | **Total US$** |
|---|---|---|---|---|---|---|
| Balance - 1 January 2012 | 13,000 | - | 17,764 | 468,566,000 | - | 468,583,76 |
| Share split | 1,287,000 | - | - | - | - | |
| Issue of additional ordinary shares 2 March 2012 | 48,893,544 | - | 650,040 | 2,679,927 | - | 3,329,96 |
| Issue of redeemable preference shares 6 December 2012 | - | 16,790 | 168 | - | 167,899,832 | 167,900,00 |
| **Balance at 31 December 2012** | **50,193,544** | **16,790** | **667,972** | **471,245,927** | **167,899,832** | **639,813,731** |
| Issue of additional ordinary shares (class A shares) on 28 June 2013 | 20,381,490 | - | 203,815 | (203,815) | - | |
| Issue of additional ordinary shares (class B shares) on 28 June 2013 | 199,120 | - | 2,595 | - | - | 2,59 |
| Issue of additional shares on 30 December 2013 | 11,503,068 | - | 150,947 | 224,849,057 | - | 225,000,00 |
| Issue of redeemable preference shares on 9 June 2013 | - | 20,200 | 202 | - | 201,999,798 | 202,000,000 |
| Redemption of preference shares on 28 June 2013 | 36,990 | (36,990) | - | 369,899,630 | (369,899,630) | |
| **Balance at 31 December 2013** | **82,314,212** | **-** | **1,025,531** | **1,065,790,799** | **-** | **1,066,816,330** |

2012 events

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

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

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

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

### 24. Share capital and share premium (continued)

2012 events (continued)

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 an amount equal to the 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 the 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.

2013 events:

On 9 June 2013 the Company issued 20 200 redeemable preference shares to Nori Holdings Limited 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 Holdings Limited transferring 100% of the shares in White Estates Investments Limited (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 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) the 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 the Board of Directors of the Company not exceeding USD 2.17 per share per annum 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 the 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 subscribed for 347 354 class "B" shares of the Company of which 199 120 were issued at 31 December 2013. The shares are to be registered in the name of respective shareholders in instalments during the period from 28 June 2013 until 1 January 2015. The unregistered instalments may not be registered only in case of gross negligence by the relevant member of management of the Group in performing his duties. This subscription was recorded in equity at the fair value of the shares subscribed at the date of subscription.

On 30 December 2013 the Company issued to Centimila Services Limited and Coniston Management Limited 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 Centimilla Services Limited 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 which is controlled by the Ultimate Controlling Shareholder (Note 30). Refer to Note 31 for information on the cash payments received for the promissory notes.

2014 events

In April 2014 certain members of top management of the company 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 the 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 company due to gross negligence in performing his duties. Refer to Note 31.

### 25. Borrowings

| | 2013 US$ | 2012 US$ |
|---|---|---|
| **Current borrowings** | | |
| Bank borrowings | **10,002,466** | 10,007,787 |
| Other borrowings | - | 15,265,000 |
| Borrowings from related companies (Note 28.7) | **43,863,160** | - |
| | **53,865,626** | 25,272,787 |
| **Non-current borrowings** | | |
| Bank borrowings | - | 150,141,054 |
| Borrowings from related companies (Note 28.7) | **155,749,532** | 144,753,539 |
| | **155,749,532** | 294,894,593 |
| **Total** | **209,615,158** | 320,167,380 |
| Maturity of non-current borrowings: | | |
| Between two and five years | **155,749,532** | 294,894,593 |

On 30 December 2011 an agreement was signed with VTB Capital for the loan amount US$263,000,000 carrying interest at a 3 month LIBOR plus 6.25% plus 4.35% capitalised interest. The borrowing is repayable by 30 December 2014. On 20 July 2012 the company signed a supplementary agreement with VTB Capital which reduced the facility amount to US$223,000,000 and amended the interest rate to 3 month LIBOR plus 6.25%. This loan was repaid during the first quarter of 2013.

On 14 August 2012 an agreement was signed with Credit Europe Bank for a loan facility amounting to US$10,000,000 carrying interest at 9.5%. The loan is repayable by 10 February 2014 and was fully repaid on this date.

On 8 November 2012 an agreement was signed with Railways Development Limited for the loan amount US$15,000,000 carrying interest at 12%. The loan was repaid on 18 September 2013.

The Company was in compliance with financial covenants in relation to its bank borrowings at 31 December 2013 and 2012.

The fair values of borrowings approximate to their carrying amounts as presented above.

### 26. Trade and other payables

| | 2013 US$ | 2012 US$ |
|---|---|---|
| Shareholders' current accounts - credit balances (Note 28.9) | - | 2,331,141 |
| Trade payables and accruals | **972,150** | 1,164,865 |
| Other creditors | **422,972** | 6,660,717 |
| Payables to own subsidiaries and other related companies (Note 28.6) | **46,277,003** | 36,982,339 |
| | **47,672,125** | 47,139,062 |

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

### 27. Current tax liabilities

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| Corporation tax | 7,116 | 7,116 |
| Special contribution for defence | 2,466 | - |
| | 9,582 | 7,116 |

### 28. Related party transactions

At 31 December 2013 the Company's parent was Centimila Services Limited which owned 54.408% (2012: 54.614%) of ordinary shares of the Company. At 31 December 2013 Coniston Management Limited (BVI) owned 44.829% (2012: 45%) of ordinary shares of the Company. The Group is ultimately controlled by Mr. Boris Mints, an individual resident in the Russian Federation (the "Ultimate Controlling Shareholder"). Changes in ownership after 31 December 2013 are disclosed in Note 31.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions as defined by IAS24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During the years 2013 and 2012, a number of transactions were entered into with related parties in the normal course of business. Certain of these transactions, particularly where a broad market does not exist, were consummated at terms agreed to between the parties.

The following transactions were carried out with related parties:

#### 28.1 Key management compensation (Note 8)

The remuneration of key management, including Directors' remuneration was as follows:

| | 2013 | 2012 |
|---|---|---|
| | US$ | US$ |
| Directors' remuneration | 695,018 | 643,472 |
| Share based payment – equity settled plan | 5,329,321 | - |
| Share based payment – cash settled plan | - | 11,000 |
| | 6,024,339 | 654,472 |

Refer to Note 30 for details of the Company's share based payment plans.

# NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

## 28. Related party transactions (continued)

### 28.2 Interest income (Note 5)

| | 2013<br>US$ | 2012<br>US$ |
|---|---|---|
| ***Group entities:*** | | |
| Flybase Investments Ltd | - | 2,942,854 |
| CJSC 'Stroypromplast' | - | 3,505,509 |
| Sandix Group B.V. | - | 4,682 |
| Dawson Int'l Inc. | **1,350,270** | 1,350,270 |
| Xeroma Management Ltd | **682,483** | 577,750 |
| Paremos Ltd | **4,376,323** | 13,846,300 |
| Eagleman Ltd | **2,057,794** | 956,256 |
| Ratado Holding Ltd | **942,481** | 3,343,097 |
| Firma Morava | **967,418** | 14,760 |
| Belegar Ltd | **245,043** | - |
| Upstalen Ltd | **732** | - |
| Discovery Russian Realty Paveletskaya Project Ltd | **679,989** | - |
| Mervita Holdings Ltd | **19,252** | - |
| Tzortis Ltd | **17,751** | - |
| Pianconero Investments Ltd | **63,399** | - |
| Gunilla Ltd | **108,340** | - |
| ***Shareholder:*** | | |
| O1 Group Ltd | - | 711,133 |
| ***Entity under common control:*** | | |
| O1 Trust Ltd | **292,134** | - |
| | **11,803,409** | 27,252,611 |

### 28.3 Interest expense

| | 2013<br>US$ | 2012<br>US$ |
|---|---|---|
| ***Group entities:*** | | |
| Horus Capital | - | - |
| Hines DPIII Development Ltd | **97,348** | - |
| Hines DPIII Realty Ltd | **66,962** | - |
| Effusive Holdings Ltd | - | 502,083 |
| Krugozor Business Center (Cyprus) Ltd | **2,789,856** | 2,831,412 |
| Le Fortaco Ltd | **2,850,810** | 1,948,182 |
| Business Center Stanislavsky (Cyprus) Ltd | **2,266,412** | 2,001,196 |
| Avion Corporate Business Center (Cyprus) Ltd | **1,218,089** | 1,080,025 |
| Levisoma Trading Ltd | **566,788** | - |
| Calyasca Ltd | - | - |
| Sharezone Capital Ltd | **909,987** | 1,312,816 |
| Valnaz Investments Ltd | **428,657** | 79,390 |
| Gasheka Realty LLC | **64,599** | - |
| Fundin Investments Ltd | **2,876,712** | - |
| White Estate Investments Ltd | **17,505** | - |
| Quotex Ltd | **262,030** | - |
| ***Entity under common control:*** | | |
| O1 Trust Services Ltd | **11,776** | 28,852 |
| | **14,427,531** | 9,783,956 |

### 28. Related party transactions (continued)

### 28.4 Receivables from own subsidiaries and other related companies (Note 22)

| | 2013 US$ | 2012 US$ |
|---|---|---|
| **Receivable from own subsidiary** | | |
| Eagleman Ltd | **15,208,517** | 5,656,136 |
| **Receivables from other group companies:** | | |
| Celera Corporation | **11,668** | 854 |
| Krugozor Business Center (Cyprus) Ltd | **12,106** | 1,443,970 |
| Le Fortaco Ltd | **12,312** | 4,025,227 |
| Business Center Stanislavsky (Cyprus) Ltd | **16,807** | 4,282,376 |
| Avion Corporate Business Center (Cyprus) Ltd | **311,353** | 303,236 |
| Sharezone Capital Ltd | **6,537,017** | 3,341,139 |
| Maiga Investments Ltd | **1,360,700** | - |
| Vivaldi Holdings Ltd | **260,810** | - |
| Levisoma Trading Ltd | **375,377** | - |
| CJSC 01 Properties Management | **562,783** | - |
| LLC Silver City | **571,237** | - |
| OJSC Bolshevik | **370,610** | - |
| Gasheka Realty Ltd | **259,851** | - |
| Meteolook Investments Ltd | **65,000** | - |
| Receivables from other group entities | **3,037,420** | 554,819 |
| | **13,765,051** | 13,951,621 |
| **Total** | **28,973,568** | 19,607,757 |

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

### 28.5 Loans to related parties (Note 21)

| | | 2013 US$ | 2012 US$ |
|---|---|---|---|
| ***Group entities:*** | | | |
| Assignment with Belegar Ltd | Principal | **5,825,000** | - |
| | Interest | **245,043** | - |
| Loan with Dawson Int'l Inc. | Principal | **15,003,000** | 15,003,000 |
| | Interest | **4,128,494** | 2,778,224 |
| Novation with Stroypromplast | Interest | **7,309,275** | 9,400,427 |
| Loan with Sandix Group B.V. | Principal | **-** | 80,000 |
| | Interest | **-** | 5,824 |
| Loan with Xeroma Management Ltd | Principal | **3,317,885** | 13,105,000 |
| | Interest | **2,001** | 638,054 |
| Loan with Paremos Ltd | Principal | **-** | 106,510,000 |
| | Interest | **-** | 7,783,018 |
| Loan with Thaletta s.a. | Interest | **-** | 50,791 |
| Loan with Firma Morava | Principal | **12,297,014** | 185,305 |
| | Interest | **975,631** | 17,698 |
| Loan with Eagleman Ltd | Principal | **11,461,000** | 51,120,500 |
| | Interest | **140,241** | 956,256 |
| Loan with Ratado Holding Ltd | Principal | **-** | 102,500,001 |
| | Interest | **-** | 1,480,097 |
| Loan with Discovery Russian Realty Paveletskaya Project Ltd | Principal | **23,525,000** | - |
| | Interest | **679,989** | - |
| Loan with Pianconero Investments Ltd | Interest | **79,159** | - |
| Loan with Avion Corporate Business Center (Cyprus) Ltd | Principal | **77,585** | - |
| | | **85,066,317** | 311,614,195 |

**28. Related party transactions (continued)**

**28.5 Loans to related parties (continued)**

The loan to Belegar Ltd was provided at an interest 7%, and is repayable by 30 June 2021.

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

The Novation deed with Stroyplomplast was assigned from Thaletta S.A. on the 31 December 2010 which consists of a principal balance of RUB 1,157,005,699 and interest accrued of RUB 253,418,583. 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 December 2014.

The loan to Paremos Ltd was provided at an interest of 13%, 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 Morava was provided at an interest of 13.10%, and is repayable by 20 May 2014.

The loan to Eagleman Ltd was provided at an interest of 5.65%, and is repayable by 16 March 2015.

The loans to Ratado Holdings Ltd were provided at an interest between 7.1% and 7.5%, and are repayable by 31 July 2014 and 1 July 2017 respectively.

The loan to Discovery Russian Realty Paveletskaya Project Ltd was provided at an interest 7%, and is repayable by 30 June 2021.

The loan to Pianconero Investments Ltd was provided at an interest 1m LIBOR plus 3.5%, and is repayable on Demand.

The loan to Gunilla Ltd was provided at an interest 10%, and is repayable by 31 December 2014.

**28.6 Payables to subsidiaries and other related companies (Note 26)**

| Name | **2013**<br>**US$** | 2012<br>US$ |
|---|---|---|
| Ratado Holding Ltd | **15,803,201** | 15,803,176 |
| Eagleman Ltd | **11,967,381** | 11,967,381 |
| Silver City Ltd | **8,483,019** | 8,433,019 |
| Xeroma Management Ltd | **1,350** | 740,539 |
| Sabaton Holdings Ltd | **2,719** | - |
| White Estate Investments Ltd | **1,326,036** | - |
| Kolston Group Ltd | **50,000** | - |
| Invery Management Ltd | **45,000** | - |
| Discovery Russian Realty Paveletskaya Project Ltd | **5,982,661** | - |
| Avion Corporate Business Center (Cyprus) Ltd | **2,476,193** | - |
| 01 Trust Ltd | **26,501** | - |
| Meteolook Investments Ltd | **65,928** | - |
| Payables to other related parties | **47,014** | 38,224 |
| | **46,277,003** | 36,982,339 |

The payables to subsidiaries and other related companies are interest free and repayable on demand.

### 28. Related party transactions (continued)

### 28.7 Borrowings from related undertakings (Note 25)

| | | 2013 US$ | 2012 US$ |
|---|---|---|---|
| ***Group entities:*** | | | |
| Loan with Hines DPIII Development Ltd | Principal | **1,200,000** | - |
| | Interest | **97,348** | - |
| Loan with Hines DPIII Realty Ltd | Principal | **830,000** | - |
| | Interest | **66,962** | - |
| Loan with Sharezone Capital Ltd | Principal | - | 24,333,000 |
| | Interest | - | 1,556,676 |
| Loan with O1 Trust Services Ltd | Principal | **3,820** | - |
| Loan with Krugozor Business Center (Cyprus) Ltd | Principal | - | 30,361,357 |
| | Interest | - | 1,314,407 |
| Loan with Le Fortaco Ltd | Principal | - | 27,692,972 |
| | Interest | - | 1,540,938 |
| Loan with Business Center Stanislavsky (Cyprus) Ltd | Principal | - | 28,424,246 |
| | Interest | - | 1,094,240 |
| Loan with Avion Corporate Business Center (Cyprus) Ltd | Principal | - | 14,831,963 |
| | Interest | - | 529,350 |
| Loan with Levisoma Trading Ltd | Principal | **11,238,003** | - |
| | Interest | **460,141** | - |
| Loan with Valnaz Investments Limited | Principal | - | 12,995,000 |
| | Interest | - | 79,390 |
| Loan with Gasheka Realty LLC | Principal | **2,857,452** | - |
| | Interest | **44,719** | - |
| *Loan with Fundin Investments Ltd* | *Principal* | ***120,000,000*** | - |
| | Interest | **2,876,712** | - |
| Loan with White Estate Investments Ltd | Principal | **18,255,000** | - |
| | Interest | **17,505** | - |
| Loan with Quotex Ltd | Principal | **41,403,000** | - |
| | Interest | **262,030** | - |
| | | **199,612,692** | 144,753,539 |

The loans from Hines DPIII Development Ltd and Hines DPIII Realty Ltd were provided at an interest of 9%, and are repayable by 31 December 2014.

The loan from Sharezone Capital Ltd was provided at an interest of 5%, and is repayable by 30 June 2017.

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

The loans from Krugozor Business Center (Cyprus) Ltd, Le Fortaco Ltd, Business Center Stanislavsky (Cyprus) Ltd and Avion Corporate Business Center (Cyprus) Ltd were provided at an interest of 10%, and were repayable by 16 December 2016. These loans were early settled during 2013.

The loan from Levisoma Trading Ltd was provided at an interest of 7%, and is repayable by 31 December 2019.

The loan from Valnaz Investments Ltd was provided at an interest of 8.6%, and is repayable by 1 November 2017.

The loan from Gasheka Realty LLC was provided at an interest of 7.5%, and is repayable by 31 December 2016.

### 28.7 Borrowings from related undertakings (continued)

The loan from Fundin Investments Ltd was provided at an interest of 7%, and is repayable by 31 December 2015.

The loan from White Estate Investments Ltd was provided at an interest of 7%, and is repayable by 31 December 2016.

The loan from Quotex Ltd was provided at an interest of 7%, and is repayable by 31 December 2014.

### 28.8 Amounts receivable from shareholders (Notes 22 and 24)

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Promissory notes (Note 24) | **225,000,000** | - |
| Shareholders' current accounts – debit balances | **3,565** | 1,323 |
| | **225,003,565** | 1,323 |

### 28.9 Shareholders' current accounts - credit balances (Note 26)

| | **2013** | 2012) |
|---|---|---|
| | **US$** | US$ |
| Amounts owed to shareholders | **-** | 2,331,141 |
| | **-** | 2,331,141 |

### 28.10 Other income

| | **2013** | 2012 |
|---|---|---|
| | **US$** | US$ |
| Income from recharge of expenses to subsidiary companies | **3,461,480** | - |

### 28.11 Acquisition and disposal of investments from/to related parties

Details regarding the acquisition and disposal of investments from/to related parties are disclosed in Notes 17 and 7.

### 29. Operating environment of the Company

The Company 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 Company is constantly monitoring the developments in the operating environment of the Company in order to estimate the full impact that these developments may have on the business of the Company.

***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 30). The recent political and economic turmoil witnessed in the region, in particular the developments in Ukraine, have had, and may continue to have, a negative impact on the Russian economy, including weakening of the Russian Rouble, higher interest rates, reduced liquidity and making it harder to raise international funding. These events, including current and potential future international sanctions against Russian companies and individuals, and the related uncertainty and volatility of the financial markets, may have a significant impact on the Company's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from management's expectations.

The ongoing uncertainty and volatility of the financial markets and other risks could have significant negative effect 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.

**29. Operating environment of the Company (continued)**

***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 and a further decrease is expected in 2014. The current and future economic, tax and legal conditions in Cyprus may have an adverse impact on some operations of the Company.

**30. Contingencies, Commitments and other Operating Risks**

***Tax contingencies.*** Russian tax and customs 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. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax 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 when decision about review was made. Under certain circumstances reviews may cover longer periods.

As Russian tax legislation does not provide definitive guidance in certain areas, the Company adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Company. 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 tax 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 Company. In addition, should there be any future changes in the Russian tax legislation, regarding the taxation of property operations in the Russian Federation, the valuation of the Company's financial assets at fair value through profit or loss may be affected.

***Environmental matters.*** The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

***Assets pledged and restricted.*** At 31 December 2013 and 2012 all shares in the Company were pledged in relation of guarantees issued in relation to obligations of immediate shareholder. Also refer to Note 17 for the information on shares of subsidiaries of the Company pledged.

***Legal proceedings.*** From time to time and in the normal course of business, claims against the Company 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 made in these financial statements.

***Share based payments plan.*** 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.

**30. Contingencies, Commitments and other Operating Risks (continued)**

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.

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 above share based payments plan approximated to USD NIL (2012: USD 22 thousand) and were recorded through general and administrative expenses in the profit or loss (Note 8). During 2013 the Company's directors subscribed to shares with a market value of US$ 5 329 thousand for nominal consideration resulting in a staff cost of US$ 5 329 thousand in the statement of comprehensive income. For details regarding the share based payment plans refer to Note 24.

**31. Significant events after the reporting period**

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

During 2014 in accordance with the subscription made in June 2013 and in April 2014 (Note 24) 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 Company (Note 24).

In April 2014, in relation to USD 100 million borrowing (optionally to be increased to USD 255 million) (the "Borrowing") by a company (the "Intermediary Shareholder") which (1) is controlled by Ultimate Controlling Shareholder and (2) owns and controls 100% interest in Centimila Services Limited, the Group: (1) guaranteed performance of the Intermediate Shareholder with respect to the borrowing, (2) pledged all shares in Ratado Holding Limited ("Ratado", holding company for subsidiaries of the Company which own certain properties) as security with respect to the Borrowing, (3) pledged rights for balances receivable by the Company from Ratado as security with respect to the Borrowing, (4) subordinated its rights related to balances receivable by the Company from Ratado to rights of creditors under the Borrowing, (5) accepted subordination of liabilities of certain subsidiaries of the Company 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 Company 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% in case of certain additional share transfers by Centimila Services Limited) interest in its share capital.

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

In April 2014 the Company 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.

In August 2014 a further cash payment of USD 100 000 thousand was received by the Group in a settlement of the promissory notes received by the Group in relation to the share capital increase on 30 December 2013.