

O1 PROPERTIES LIMITED

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

For the year ended 31 December 2014

O1 PROPERTIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014

CONTENTS	PAGE
Board of Directors and other Officers	1
Report of the Board of Directors	2 - 3
Independent Auditor's report	4 - 5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9 - 10
Notes to the financial statements	11 - 45

O1 PROPERTIES LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Dmitriy Mints
Tomasz Zamiara
Michael Stanton
Alexander Ostrovskiy
Timothy Fenwick
Richard Gregson
John Nacos
Konstantin Yanakov (Appointed on 10/03/2014)
Norbert Kickum (Appointed on 29/01/2015)

Company Secretary:

Theonitsa Andriana Constantinou

Independent Auditors:

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Registered office:

18 Spyrou Kyprianou
2nd Floor
1075 Nicosia
Cyprus

Bankers:

Nomos Bank
OJSC CB Moscommerz Bank
VTB Capital Plc
Bank of Cyprus Plc
CJSC Credit Europe Bank
UBS AG
Russian Commercial Bank (Cyprus) Ltd
LGT Bank (Schweiz) AG

Registration number:

HE 272334

O1 PROPERTIES LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of O1 Properties Limited or hereafter "The Company" presents its report and audited financial statements of the Company for the year ended 31 December 2014.

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 and associates, operating 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 as presented in the financial statements are considered satisfactory.

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

Results

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

Dividends

During 2014 the Board of Directors approved the payment of dividends amounting to US\$84,514,816 (2013: US\$52,556,210).

Share capital

For changes in the share capital of the Company refer to Note 23.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2014 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 2014 with the exception of Mr Konstantin Yanakov and Mr Norbert Kickum. On 10 March 2014 Mr Konstantin Yanakov was appointed as an additional director of the Company. On 29 January 2015 Mr Norbert Kickum was appointed as an additional director of the Company.

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

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

Significant events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 31 to the financial statements.

Existence of branches

During the year ended 31 December 2014 the Company did not operate through any branches.

01 PROPERTIES LIMITED

REPORT OF THE BOARD OF DIRECTORS

Independent Auditors

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

By order of the Board of Directors,



Theonitsa Andriana Constantinou
Secretary

2 July 2015



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 2014, and the statements of income, 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.

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



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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the 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 matter

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

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

A handwritten signature in blue ink that reads "George C. Kazamias". The signature is written in a cursive style and includes a long horizontal stroke at the end.

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 2 July 2015

01 PROPERTIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 US\$	2013 US\$
Interest income	5	7,712,309	13,269,215
Dividend income		178,774,228	248,200,573
Net loss from financial assets at fair value through profit and loss	7	(354,843,926)	(350,175,878)
Other income	6	3,625,911	4,098,980
Administration expenses	8	(15,324,813)	(14,494,400)
Other losses	9	(2,395,483)	(2,364,053)
Operating loss		<u>(182,451,774)</u>	<u>(101,465,563)</u>
Finance costs	11	<u>(88,611,532)</u>	<u>(20,447,485)</u>
Loss before tax		<u>(271,063,306)</u>	<u>(121,913,048)</u>
Tax	12	<u>(13,843)</u>	<u>(3,121)</u>
Net loss for the year		<u>(271,077,149)</u>	<u>(121,916,169)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(271,077,149)</u>	<u>(121,916,169)</u>

The notes on pages 11 to 45 form an integral part of these financial statements.

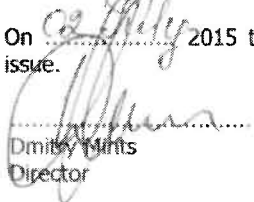
O1 PROPERTIES LIMITED

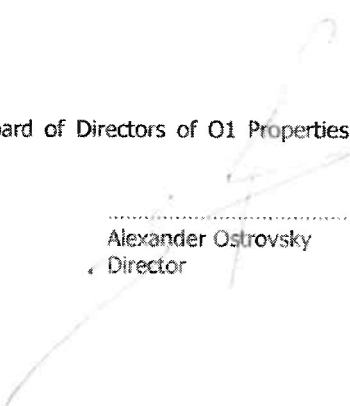
STATEMENT OF FINANCIAL POSITION

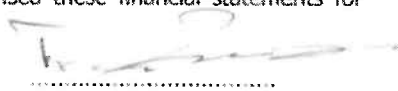
As at 31 December 2014

	Note	2014 US\$	2013 US\$
ASSETS			
Non-current assets			
Financial assets at fair value through profit and loss	17	866,860,654	1,461,239,672
Non-current loans receivable	20	170,030,529	49,624,145
		<u>1,036,891,183</u>	<u>1,510,863,817</u>
Current assets			
Receivables	21	461,033,766	277,678,022
Current loans receivable	20	76,827,859	35,944,600
Available-for-sale financial assets	18	658,548	658,548
Derivative financial instruments	19	1,700,274	2,027,023
Cash and cash equivalents	22	838,368	1,678,116
		<u>541,058,815</u>	<u>317,986,309</u>
Total assets		<u>1,577,949,998</u>	<u>1,828,850,126</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	23	1,027,780	1,025,531
Share premium - ordinary shares	23	1,065,790,799	1,065,790,799
Shareholders contribution		9,810,321	5,329,321
Retained earnings		143,130,120	498,722,085
Total equity		<u>1,219,759,020</u>	<u>1,570,867,736</u>
Non-current liabilities			
Borrowings	24	132,325,413	155,749,532
		<u>132,325,413</u>	<u>155,749,532</u>
Current liabilities			
Trade and other payables	25	59,607,741	47,672,125
Borrowings	24	160,663,959	53,865,626
Derivative financial instruments	19	5,593,486	685,525
Current tax liabilities	26	379	9,582
		<u>225,865,565</u>	<u>102,232,858</u>
Total liabilities		<u>358,190,978</u>	<u>257,982,390</u>
Total equity and liabilities		<u>1,577,949,998</u>	<u>1,828,850,126</u>

On 22 July 2015 the Board of Directors of O1 Properties Limited authorised these financial statements for issue.


Dmitry Klits
Director


Alexander Ostrovsky
Director


Tomasz Zamara
Director

The notes on pages 11 to 45 form an integral part of these financial statements.

O1 PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Note	Share capital US\$	Redeemable preference shares US\$	Share premium - ordinary shares US\$	Share premium - redeemable preference shares US\$	Share-based payment reserve US\$	Retained earnings (1) US\$	Total US\$
Balance - 1 January 2013	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	23 357,357	202	224,645,242	201,999,798	-	-	427,002,599
Redemption of preference shares	23 370	(370)	369,899,630	(369,899,630)	-	-	-
Dividends	13 -	-	-	-	-	(52,556,210)	(52,556,210)
Share issue to top management	23 -	-	-	-	5,329,321	-	5,329,321
Balance at 31 December 2013/ 1 January 2014	1,025,531	-	1,065,790,799	-	5,329,321	498,722,085	1,570,867,736
Comprehensive loss							
Net loss for the year	-	-	-	-	-	(271,077,149)	(271,077,149)
Transactions with owners							
Issue of additional ordinary shares (class B shares) 17 April 2014	23 1,227	-	-	-	-	-	1,227
Issue of additional ordinary shares (class B shares) 1 January 2014	23 1,022	-	-	-	-	-	1,022
Dividends	13 -	-	-	-	-	(84,514,816)	(84,514,816)
Share issue to top management	23 -	-	-	-	4,481,000	-	4,481,000
Balance at 31 December 2014	1,027,780	-	1,065,790,799	-	9,810,321	143,130,120	1,219,759,020

(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 11 to 45 form an integral part of these financial statements.

O1 PROPERTIES LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014	2013
	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(271,063,306)	(121,913,048)
Adjustments for:		
Net loss from the disposal of financial assets at fair value through profit and loss	7 87,615,619	15,118,055
Fair value loss/(gain) on derivative financial instruments	7 1,577,533	(5,473,917)
Fair value losses on financial assets at fair value through profit and loss	7 265,650,774	340,531,740
Share-based payment compensation	8 4,481,000	5,329,321
Dividend income	(178,774,228)	(248,200,573)
Interest income	5 (7,712,309)	(13,269,215)
Foreign exchange loss/(gain)	263,255	(3,865,151)
Borrowings finance costs	11 104,602,932	27,640,555
Cash flows from/(used in) operations before working capital changes	6,641,270	(4,102,233)
Increase in receivables	(23,601,491)	(31,161,325)
Increase in trade and other payables	10,904,495	163,559
Cash flows used in operations	(6,055,726)	(35,099,999)
Tax paid	(6,736)	(655)
Net cash flows used in operating activities	(6,062,462)	(35,100,654)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of financial assets at fair value through profit and loss	(16,030,187)	(26,145,242)
Loans granted	(251,688,295)	(278,341,451)
Loans repayments received	72,754,742	304,294,156
Proceeds from sale of investments in financial assets at fair value through profit and loss	14,700,000	89,158,466
Interest received	1,032,127	18,057,121
Dividends received	45,389,912	703,530
Net cash flows from investing activities	(133,841,701)	107,726,580
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	200,000,000	-
Repayments of borrowings	(104,104,027)	(275,184,522)
Proceeds from borrowings	190,454,576	284,642,672
Interest paid	(8,738,350)	(30,464,409)
Currency exchange derivative termination payment	(82,647,909)	-
Dividends paid	(55,899,875)	(52,556,210)
Net cash flows used in financing activities	139,064,415	(73,562,469)
Net decrease in cash and cash equivalents	(839,748)	(936,543)
Cash and cash equivalents:		
At beginning of the year	1,678,116	2,614,659
At end of the year	838,368	1,678,116

The notes on pages 11 to 45 form an integral part of these financial statements.

O1 PROPERTIES LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014 (continued)

Non cash transactions:

1. On 31 May 2013, the Company acquired 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.
2. 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\$135,370,430. The consideration was settled by a set-off agreement.
3. On 20 December 2013, group company Sabaton Holdings Limited increased its share premium by US\$ 84,458,340 to O1 Properties Limited. The consideration was settled by a set-off agreement with the loan receivable from Gunilla Limited.
4. On 31 October 2013, the Company issued 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.
 - 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.
5. 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.
6. 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.
7. On 31 December 2013, the Company subscribed to 1,000 shares in group company Xeroma Management Limited for a total consideration of US\$8,825,361. On the same date the Company signed an assignment agreement with group company Freyamoan Limited and Xeroma Management Limited assigning to the Company a receivable from Freyamoan Limited in the amount US\$ 1,871,130. The payable balance arising under this assignment agreement and the aforementioned subscription totalling US\$ 11,297,115 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.
8. On 14 September 2014, the Company subscribed to an additional 100 shares in Ratado Holding Limited at a premium of USD 150 million. The consideration for these shares was settled on the same date by the contribution of 100% of the share capital of Bitlena Holdings Limited to Ratado Holding Limited.

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

The notes on pages 11 to 45 form an integral part of these financial statements.

O1 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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, 2nd Floor, 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 and associates, operating in the Russian real estate market.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities 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 18 Spyrou Kyprianou, 2nd Floor, 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 2014 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.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Accounting policies (continued)

Adoption of New or Revised Standards and Interpretations

At the date of the authorisation of the Company's consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that were effective at 1 January 2014 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 2014 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.

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

Amendments

- *IAS 19 "Defined benefit plans: Employee contributions (effective for annual periods beginning on or after 1 July 2014).*
- *Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 July 2014).*
- *Annual Improvements to IFRSs 2013 (effective for annual periods beginning on or after 1 July 2014).*

(ii) Not adopted by the European Union

New standards

- *IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2018).*
- *IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).*
- *IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017).*

Amendments

- *Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (effective for annual periods beginning on or after 1 January 2016).*
- *Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" (effective for annual periods beginning on or after 1 January 2016).*
- *Amendments to IAS 16 and IAS 41 "Agriculture: Bearer plants" (effective for annual periods beginning 1 January 2016).*
- *Amendments to IAS 27 "Equity Method in Separate Financial Statements (effective for annual periods beginning 1 January 2016).*
- *Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective for annual periods beginning on or after 1 January 2016).*
- *Annual Improvements to IFRSs 2014 (effective for annual periods beginning on or after 1 January 2016).*
- *Disclosure Initiative Amendments to IAS 1 (effective for annual periods on or after 1 January 2016).*
- *Amendment to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" (effective for annual periods on or after 1 January 2016).*

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Accounting policies (continued)

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Company with the exception of the following:

IFRS 9 "Financial Instruments: Classification and Measurement" Key features of the standard (issued in July 2014 effective for annual periods beginning on or after 1 January 2018).

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company is currently assessing the impact of the new standards on its financial statements.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Accounting policies (continued)

Investment in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(i) Classification:

The Company classifies its investments in subsidiaries as financial assets at fair value through profit or loss and 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 Investment in subsidiary. 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.

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

O1 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Accounting policies (continued)

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 financial assets are recognised in other comprehensive income.

Current and deferred tax

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

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

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

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

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.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Accounting policies (continued)

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.

Trade receivables

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

Loans granted

Loans originated by the Company by providing money directly to the borrower are 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 of loans.

Investments

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss 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 at fair value through profit and loss and those designated at fair value through profit or loss at inception. A financial asset is classified in the held at fair value through profit and loss category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held at fair value through profit and loss or are expected to be realised within twelve months from the reporting date.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Accounting policies (continued)

- 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.

Regular way purchases and sales of investments are recognised on 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. Loans and receivables are carried at amortised cost using the effective interest method.

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 included in the statement of comprehensive income 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 the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through profit or loss.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Accounting policies (continued)

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 effective interest method. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

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.

Trade payables

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

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 immediately 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.

O1 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Accounting policies (continued)

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.

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

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.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. Accounting policies (continued)

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

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

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

	Less than 1 year US\$	Between 1-5 years US\$	More than 5 years US\$	Total US\$
31 December 2014				
Financial assets	77,185,317	127,525,599	42,147,472	246,858,388
Financial liabilities	<u>(161,453,875)</u>	<u>(131,535,497)</u>	<u>-</u>	<u>(292,989,372)</u>
	<u>(84,268,558)</u>	<u>(4,009,898)</u>	<u>42,147,472</u>	<u>(46,130,984)</u>
31 December 2013				
Financial assets	35,944,600	19,349,113	30,275,032	85,568,745
Financial liabilities	<u>(53,865,626)</u>	<u>(155,749,532)</u>	<u>-</u>	<u>(209,615,158)</u>
	<u>(17,921,026)</u>	<u>(136,400,419)</u>	<u>30,275,032</u>	<u>(124,046,413)</u>

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Financial risk management (continued)

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 financial liabilities, including estimated interest payments:

31 December 2014	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	42,060,736	51,657,550	29,923	51,627,627	-	-
Trade and other payables	1,325,777	1,325,777	1,325,777	-	-	-
Payables to related companies	58,281,964	58,281,964	58,281,964	-	-	-
Borrowings from related companies	<u>250,928,636</u>	<u>289,960,900</u>	<u>793,735</u>	<u>126,614,438</u>	<u>162,552,727</u>	<u>-</u>
	<u>352,597,115</u>	<u>401,226,193</u>	<u>60,431,401</u>	<u>178,242,065</u>	<u>162,552,727</u>	<u>-</u>
31 December 2013	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	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	<u>199,612,692</u>	<u>228,696,283</u>	<u>-</u>	<u>46,944,070</u>	<u>181,752,213</u>	<u>-</u>
	<u>257,287,283</u>	<u>286,477,586</u>	<u>57,781,303</u>	<u>46,944,070</u>	<u>181,752,213</u>	<u>-</u>

3.4 Currency risk

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

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Financial risk management (continued)

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

31 December 2014

	Euro US\$	Russian Ruble US\$	United Kingdom Pound US\$
Assets			
Cash at bank	5,508	5,007	-
Loans receivable	374,744	4,509,443	-
Receivables	-	16,822,091	-
	<u>380,252</u>	<u>21,336,541</u>	<u>-</u>
Liabilities			
Trade and other payables	(3,796,632)	(13,013)	(112,073)
Loans payable	-	(66,948,667)	-
Bank overdraft	(39)	-	-
	<u>(3,796,671)</u>	<u>(66,961,680)</u>	<u>(112,073)</u>
Net exposure	<u>(3,416,419)</u>	<u>(45,625,139)</u>	<u>(112,073)</u>

31 December 2013

	Euro US\$	Russian Ruble 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
	<u>1,454,977</u>	<u>20,172,640</u>	<u>297,780</u>
Liabilities			
Trade and other payables	(205,777)	(21,083)	-
Bank overdraft	(39)	-	-
	<u>(205,816)</u>	<u>(21,083)</u>	<u>-</u>
Net exposure	<u>1,249,161</u>	<u>20,151,557</u>	<u>297,780</u>

Sensitivity analysis

A 10% strengthening of the United States Dollars against the following currencies at 31 December 2014 (2013: 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.

	Profit or loss	
	2014	2013
	US\$	US\$
Euro	(341,642)	124,920
United Kingdom Pounds	(11,207)	29,778
Russian Rouble	<u>(4,562,514)</u>	<u>2,015,155</u>
	<u>(4,915,363)</u>	<u>2,169,853</u>

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Financial risk management (continued)

3.5 Capital risk management

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

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash at bank. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

The Company's gearing ratio is calculated as follows:

	2014 US\$	2013 US\$
Total borrowings (Note 24)	292,989,372	209,615,158
Less: Cash and cash equivalents (Note 22)	<u>(838,368)</u>	<u>(1,678,116)</u>
Net debt	292,151,004	207,937,042
Total equity	<u>1,219,759,020</u>	<u>1,570,867,736</u>
Total capital	<u>1,511,910,024</u>	<u>1,778,804,778</u>
Gearing ratio	<u>23.95%</u>	<u>11.69%</u>

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date. The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

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 trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the statement of comprehensive income. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. Critical accounting estimates and judgements (continued)

- **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 non-listed investments**

The Company uses various valuation methods to value non-listed investments. These methods are based on assumptions made by the Board of Directors which are based on market information at the reporting date.

- **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 functional currency was determined to be US Dollars on the basis that the Company raised its capital in US Dollars and most investments were purchased using US Dollars.

5. Interest income

	2014	2013
	US\$	US\$
Interest income on bank balances	4,724	10,390
Interest income from third parties	36,293	1,455,416
Interest income from related parties (Note 27.2)	<u>7,671,292</u>	<u>11,803,409</u>
	<u>7,712,309</u>	<u>13,269,215</u>

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Other income

	2014	2013
	US\$	US\$
Agency fee income	-	637,500
Income from recharge of expenses	<u>3,625,911</u>	<u>3,461,480</u>
Other income	<u>3,625,911</u>	<u>4,098,980</u>

7. Net loss from financial assets at fair value through profit or loss

	2014	2013
	US\$	US\$
Net loss from disposal of assets at fair value through profit and loss	(87,615,619)	(15,118,055)
Fair value losses on financial assets at fair value through profit and loss (Note 17)	(265,650,774)	(340,531,740)
Fair value (loss)/gain on derivative financial instruments	<u>(1,577,533)</u>	<u>5,473,917</u>
	<u>(354,843,926)</u>	<u>(350,175,878)</u>

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

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.

2014 transactions:

On 5 May 2014, the Company sold 10% of the shares in Invery Management Limited to Ratado Holding Limited for a consideration of USD 10 738 thousand.

On 27 May 2014, the Company sold 100% of the shares in Hines DPIII Development Limited to Bellrun Trading Limited for a consideration of USD 3 420 thousand. The sale resulted in a loss of USD 76 191 thousand.

On 27 May 2014, the Company sold 100% of the shares in Hines DPIII Realty Limited to Bellrun Trading Limited for a consideration of USD 3 420 thousand. The sale resulted in a loss of USD 65 475 thousand.

On 14 September 2014, the Company sold 100% of the shares in Bitlena Holdings Limited to Ratado Holding Limited. The sale resulted in a gain of USD 18 711 thousand.

On 16 December 2014, the Company sold 100% of the shares in White Estate Investments Limited to Polostera Holding Limited for a consideration of USD 249 million. The sale resulted in a gain of USD 34 934 thousand.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. Expenses by nature

	2014 US\$	2013 US\$
Shared based compensation – equity settled plan (Note 23)	4,481,000	5,329,321
Professional fees	5,138,953	5,295,401
Professional fees – prior years	104,800	-
Legal fees	552,861	1,085,357
Directors' remuneration (Note 27.1)	3,782,203	695,018
Auditors' remuneration	40,733	538,862
Travelling	350,557	398,220
Administration fees	342,274	357,347
Marketing and promotion	256,318	333,761
Stamp duty	92,993	155,830
Certification and legalisation expenses	-	72,475
Entertaining	-	70,173
Non charitable donations	-	55,620
Sundry expenses	64,154	43,018
Insurance	59,959	31,103
Fines	23,840	15,932
Subscriptions and contributions	-	10,082
Catering expenses	4,697	4,831
Cleaning expenses	-	1,399
Inland travelling and accommodation	28,439	525
Telephone and postage	1,032	125
	<u>15,324,813</u>	<u>14,494,400</u>

The operating expenses stated above include fees of US\$ 44,695 (2013: US\$ 90,338) for tax consultancy services and US\$ NIL (2013: US\$ 300,857) other assurance services, charged by the Company's statutory audit firm.

9. Other losses

	2014 US\$	2013 US\$
Net foreign exchange losses from operations	2,395,483	1,705,505
Impairment loss on bank balances	-	658,548
	<u>2,395,483</u>	<u>2,364,053</u>

10. Key management compensation

	2014 US\$	2013 US\$
Share-based compensation - equity settled plan	4,481,000	5,329,321
Directors remuneration in their executive capacity	3,782,203	695,018
	<u>8,263,203</u>	<u>6,024,339</u>

11. Finance costs

	2014 US\$	2013 US\$
Interest expense and other finance costs		
Borrowings finance costs	104,568,594	27,495,655
Bank charges	34,338	144,900
	<u>104,602,932</u>	<u>27,640,555</u>
Net foreign exchange gain from financing activities	<u>(15,991,400)</u>	<u>(7,193,070)</u>
	<u>88,611,532</u>	<u>20,447,485</u>

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. Tax

12.1 Tax recognised in profit or loss

	2014	2013
	US\$	US\$
Defence contribution - current year	13,843	3,121
Charge for the year	13,843	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:

	2014	2013
	US\$	US\$
Loss before tax	(271,063,306)	(121,913,048)
Tax calculated at the applicable tax rates of 12.5%	(33,882,913)	(15,239,131)
Tax effect of expenses and losses not deductible for tax purposes	57,806,286	49,825,121
Tax effect of allowances, income and gains not subject to tax	(25,521,158)	(33,437,958)
Tax effect of utilisation of tax losses	-	(1,148,032)
Tax effect of tax losses carried forward	1,597,785	-
Defence contribution	13,843	3,121
Tax charge	13,843	3,121

The Company was subject to income tax on taxable profits at the rate of 12.5% as from 1 January 2013.

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 income tax.

13. Dividends

	2014	2013
	US\$	US\$
Dividends	84,514,816	52,556,210
	84,514,816	52,556,210

During 2014 the Directors approved the payment of dividends of USD 84 515 thousand.

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 a payment of a dividend of USD 18 658 thousand to the holders of ordinary shares. In September 2013 the Shareholders of the Company approved a payment of dividends in the amount USD 26 207 thousand of class "A" shares and USD 2 064 thousand of class "B" shares.

O1 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. Credit quality of financial assets

The credit quality of financial 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:

	2014	2013
	US\$	US\$
Fully performing receivables		
Counterparties without external credit rating		
Other receivables	7,780,532	699,889
Promissory notes due from shareholders	24,805,349	225,000,000
Shareholders' current accounts - debit balances	1,349	3,565
Receivable from own subsidiary	428,439,036	15,208,517
Receivables from other group companies	-	13,765,051
	<u>461,026,266</u>	<u>254,677,022</u>
	<u>461,026,266</u>	<u>254,677,022</u>
Fully performing loans receivable		
Loans granted to related parties	246,319,903	85,066,317
Other loans granted	538,485	502,428
	<u>246,858,388</u>	<u>85,568,745</u>
Cash at bank and short term bank deposits		
A (Fitch)	691,316	22,178
BBB (Fitch)	-	4,940
BB- (Fitch)	-	376,653
Caa1 (Moody's)	926	12,026
Caa3 (Moody's)	139,305	1,194,886
Other	6,821	67,433
	<u>838,368</u>	<u>1,678,116</u>

None of the financial assets that are fully performing has been renegotiated.

O1 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2014	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
	US\$	US\$	US\$	US\$
Financial assets				
Financial assets at fair value through profit or loss	-	866,860,654	-	866,860,654
Loans receivable	246,858,388	-	-	246,858,388
Available-for-sale financial assets	-	-	658,548	658,548
Derivative financial instruments	-	1,700,274	-	1,700,274
Receivables (excluding prepayments)	461,026,266	-	-	461,026,266
Cash and cash equivalents	838,368	-	-	838,368
Total	708,723,022	868,560,928	658,548	1,577,942,498

As at 31 December 2014	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
	US\$	US\$	US\$
Financial liabilities			
Borrowings	-	292,989,372	292,989,372
Trade and other payables	-	59,607,741	59,607,741
Derivative financial instruments	5,593,486	-	5,593,486
Total	5,593,486	352,597,113	358,190,599

As at 31 December 2013	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
	US\$	US\$	US\$	US\$
Financial assets				
Financial assets at fair value through profit or loss	-	1,461,239,672	-	1,461,239,672
Loans receivable	85,568,745	-	-	85,568,745
Available-for-sale financial assets	-	-	658,548	658,548
Derivative financial instruments	-	2,027,023	-	2,027,023
Receivables (excluding prepayments)	254,677,022	-	-	254,677,022
Cash and cash equivalents	1,678,116	-	-	1,678,116
Total	341,923,883	1,463,266,695	658,548	1,805,849,126

As at 31 December 2013	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
	US\$	US\$	US\$
Financial liabilities			
Borrowings	-	209,615,158	209,615,158
Trade and other payables	-	47,672,125	47,672,125
Derivative financial instruments	685,525	-	685,525
Total	685,525	257,287,283	257,972,808

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. Fair Value of Financial Instruments

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

The 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 19) that are measured at fair value at 31 December 2014 and 31 December 2013 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 2014:

<i>In thousands of US Dollars</i>	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	10.0 - 14.0%	+10 % -10 %	(169 000) 180 000
		Estimated rental value	200-2000 USD/ sq.m.	+10 % -10 %	263 400 (264 200)
		Exit capitalization rates	9.5 - 10.5%	+10 % -10 %	(224 800) 279 900
Subsidiaries holding investment property under development	Discounted Cash Flow Technique	Discount rates	20.0%	+10 % -10 %	(11 900) 13 500
		Estimated rental value	300-800 USD/ sq.m.	+10 % -10 %	18 200 (18 200)
		Exit capitalization rates	10.0 %	+10 % -10 %	(13 100) 16 200

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

	2014	2013
	US\$	US\$
On 1 January	1,461,239,672	1,334,375,294
Additions	169,039,100	555,795,339
Disposals	(497,767,344)	(97,982,521)
Reclassification from Investment in Associate	-	9,583,300
Revaluation (Note 7)	(265,650,774)	(340,531,740)
Balance at 31 December	<u>866,860,654</u>	<u>1,461,239,672</u>

O1 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

Name	Country of incorporation	Principal activities	2014 Holding %	2013 Holding %	2014 US\$	2013 US\$
Subsidiaries						
Wallasey Ltd	Cyprus	Financing	100**	100**	79,262,403	57,250,762
Ratado Holding Ltd	Cyprus	Holding and financing investments	100*	100*	398,524,000	356,212,922
Discovery Russian Realty Paveletskaya Project Ltd	Cayman Islands	Holding	100	0	1,330	-
O1 Properties Management Ltd	Russia	Services	100	100	925,000	867,000
Sharezone Capital Ltd	Cyprus	Holding and financing investments	100**	100**	170,280,000	306,361,636
Stabilac Ltd	Cyprus	Financing	100	100	-	1,663,861
Bitlena Holdings Ltd	Cyprus	Holding and financing investments	0	100	-	131,289,203
Valnaz Investments Ltd	Cyprus	Holding and financing investments	100	100	21,364,851	26,009,707
Vielle Limited	Cyprus	Holding and financing investments	100	0	16,527,713	-
Eagleman Ltd	Cyprus	Financing	100	100	-	-
LLC City-Developer	Russia	Services	100	100	-	-
CJSC Nash Standart	Russia	Services	100	100	1,028,292	924,000
Hines DPIII Development Limited (2)	Cyprus	Holding	0	100**	-	76,194,827
Hines DPIII Realty Ltd	Cyprus	Holding	0	100**	-	65,478,646
Tropical Sunset Holdings Inc	BVI	Holding and financing investments		100**	-	-
Letvion Investments Ltd	Cyprus	Inactive	85	85	531,031	-
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	17,522,648	28,332,430
Taavo Enterprises Ltd	Cyprus	Holding and financing investments	85**	50**	228,315	16,659,927
Invery Management Ltd	BVI	Financing	0	10	-	10,738,656
White Estate Investments Ltd	BVI	Holding and financing investments	0	100	-	214,066,012
Mokati Ltd	Cyprus	Holding and financing investments	100	100	26,287,000	65,554,334
Mooncrown Ltd	Cyprus		100	0	1	-
Kolston Group Ltd	BVI	Inactive	100	100	33,557	44,000
Simeona Ltd	Cyprus	Financing	100	0	1	-
Thabit Holdings Ltd	Cyprus	Inactive	100	100	-	-
Mumford Ltd	Cyprus	Inactive	0	100	-	-
Minesign Ltd	Cyprus	Inactive	100	100	-	-
Fundin Investments Ltd	Cyprus	Financing	100	100	73,088,989	-
Sabaton Holdings Ltd	Cyprus	Holding and financing investments	100	100	51,108,771	88,806,233
Cemvertia Holdings Ltd	Cyprus	Holding and financing investments	100	100	10,146,749	14,785,516
Moonpeak Ltd	Cyprus	Holding and financing investments	100	0	1	-
O1 Advisory Ltd	Cyprus	Services	100	0	1	-
Wakovia Ltd	Cyprus	Holding and financing investments	100	0	1	-
					866,860,654	1,461,239,672

The ownership stakes marked (*) were pledged in relation to borrowings of the Company (Note 24) at the respective dates.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

The following are transactions affecting the investments in subsidiaries during the years ended 31 December 2013 and 2014:

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.

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.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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.

2014 transactions

On 29 January 2014, the Company contributed to the incorporation of a new company Wakovia Limited for 1,000 shares of €1 each.

On 20 February 2014, the Company contributed to the incorporation of a new company Mooncrown Limited for 1,000 shares of €1 each.

On 4 March 2014, the Company contributed to the incorporation of a new company Vielle Limited for 1,000 shares of €1 each. On 7 April 2014, the Company subscribed to 1,000 additional shares at a premium of USD 10 million.

On 5 May 2014, the Company sold 10% of the shares in Invery Management Limited to Ratado Holding Limited for a consideration of USD 10 738 thousand.

On 27 May 2014, the Company sold 100% of the shares in Hines DPIII Development Limited to Bellrun Trading Limited for a consideration of USD 3 420 thousand. The sale resulted in a loss of USD 76 191 thousand.

On 27 May 2014, the Company sold 100% of the shares in Hines DPIII Realty Limited to Bellrun Trading Limited for a consideration of USD 3 420 thousand. The sale resulted in a loss of USD 65 475 thousand.

On 14 September 2014, the Company subscribed to an additional 100 shares in Ratado Holding Limited at a premium of USD 150 million. The consideration for these shares was settled on the same date by the contribution of 100% of the share capital of Bitlena Holdings Limited to Ratado Holding Limited.

On 28 September 2014, the Company contributed to the incorporation of a new company Simeona Limited for 1,000 shares of €1 each.

On 3 October 2014, the Company contributed to the incorporation of a new company O1 Advisory Limited for 1,000 shares of €1 each.

On 16 December 2014, the Company sold 100% of the shares in White Estate Investments Limited to Polostera Holding Limited for a consideration of USD 249 million. The sale resulted in a gain of USD 34 934 thousand.

On 18 December 2014, the Company acquired 100% share capital of Moonpeak Limited for a consideration of EUR 1,000.

O1 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Dividend income from investments in subsidiaries

The Company received dividends from its subsidiaries as follows:

	2014 US\$	2013 US\$
Tropical Sunset Holdings Inc	-	135,370,430
Sabatón Holdings Limited	14,380,000	-
Sharezone Capital Ltd	22,450,000	112,126,613
CJSC Nash Standart	781,913	703,530
Bitlena Holdings Ltd	4,178,000	-
Valnaz Investments Ltd	1,500,000	-
Hines DPIII Development Ltd	135,484,315	-
	<u>178,774,228</u>	<u>248,200,573</u>

18. Available-for-sale financial assets

	2014 US\$	2013 US\$
On 1 January	658,548	-
Additions	-	658,548
Balance at 31 December	<u>658,548</u>	<u>658,548</u>

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.

19. Derivative financial instruments

	2014 US\$	2013 US\$
Assets – positive fair value	<u>1,700,274</u>	<u>2,027,023</u>
	<u>1,700,274</u>	<u>2,027,023</u>
	2014 US\$	2013 US\$
Liabilities – negative fair value	<u>5,593,486</u>	<u>685,525</u>
	<u>5,593,486</u>	<u>685,525</u>

At 31 December 2014, the Company had interest rate swap contracts with a total notional amount of US\$ 215,700,000 (2013: US\$ 215,700,000) expiring on 28 July 2016 whereby the Company was paying a fixed interest rate in exchange of floating interest rate.

At 31 December 2014 the net negative fair value of these contracts was US\$ 3,893,212 (2013: net positive fair value of US\$ 1,341,498).

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. Loans receivable

	2014	2013
	US\$	US\$
Loans to own subsidiaries (Note 27)	84,845,938	35,806,230
Loans to related companies (Note 27)	161,473,965	49,260,087
Loans to third parties	<u>538,485</u>	<u>502,428</u>
	246,858,388	85,568,745
Less current portion	<u>(76,827,859)</u>	<u>(35,944,600)</u>
Non-current portion	<u>170,030,529</u>	<u>49,624,145</u>
The loans are repayable as follows:		
Within one year	76,827,859	35,944,600
Between one and five years	127,883,057	19,349,113
After five years	<u>42,147,472</u>	<u>30,275,032</u>
	<u>246,858,388</u>	<u>85,568,745</u>

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

21. Receivables

	2014	2013
	US\$	US\$
Receivables from own subsidiaries and other related companies (Note 27)	428,439,036	28,973,568
Receivables from shareholders (Note 27)	24,806,698	225,003,565
Deposits and prepayments	7,500	23,001,000
Other receivables	<u>7,780,532</u>	<u>699,889</u>
	<u>461,033,766</u>	<u>277,678,022</u>

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

22. Cash and cash equivalents

Cash balances are analysed as follows:

	2014	2013
	US\$	US\$
Cash at bank	<u>838,368</u>	<u>1,678,116</u>
	<u>838,368</u>	<u>1,678,116</u>
Analysis by currency:		
	2014	2013
	US\$	US\$
United States Dollars	827,892	1,656,563
Euro	5,469	18,882
Russian Ruble	<u>5,007</u>	<u>2,671</u>
	<u>838,368</u>	<u>1,678,116</u>

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. 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 2013	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	-	-	2,595
Issue of additional shares on 30 December 2013	11,503,068	-	150,947	224,849,057	-	225,000,004
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/ 1 January 2014	<u>82,314,212</u>	<u>-</u>	<u>1,025,531</u>	<u>1,065,790,799</u>	<u>-</u>	<u>1,066,816,330</u>
Issue of additional ordinary shares	88,751	-	1,227	-	-	1,227
Issue of additional ordinary shares	74,114	-	1,022	-	-	1,022
Balance at 31 December 2014	<u>82,477,077</u>	<u>-</u>	<u>1,027,780</u>	<u>1,065,790,799</u>	<u>-</u>	<u>1,066,818,579</u>

O1 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. Share capital and share premium (continued)

2014 events:

In January and April 2014 the shareholders of the Company approved dividends in the amount of USD 29 598 thousand on Class "A" shares and USD 33 915 thousand on Class "B" shares. In September 2014 the shareholders of the Company approved dividends in the amount of USD 2 500 thousand on Class "A" shares. In October 2014 the directors of the Company approved dividends in the amount of USD 12 210 thousand on Class "A" shares. In November 2014 the directors of the Company approved dividends in the amount of USD 6 292 thousand on Class "B" shares.

Dividends for the year 2014 were declared in the amount of USD 2.17 per class "A" shares and USD 0.65 per class "B" shares.

In April 2014 certain members of top management of the Group or their subsidiaries subscribed for 266 250 class "B" shares of the Company at their nominal value of which 162,865 were issued as at 31 December 2014. The shares are to be registered in the name of the 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 Group due to gross negligence in performing his duties. This subscription was recorded in equity at the fair value of the shares subscribed at the date of subscription and partially represented performance based remuneration of the top management accrued at 31 December 2013 in the amount of USD 4 400 thousand.

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) issued 50 193 544 ordinary shares with a nominal value EUR 0.01 each were converted into 50 193 544 class "B" shares with a nominal value EUR 0.01 each, and (5) additional 20 381 490 class "A" shares with a nominal value USD 0.01 each were issued from the authorized share capital and allotted to Nori Holding Limited.

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

In June 2013 certain members of top management of the Group 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 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 Centimila 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 a O1 Group Limited, a company which controlled by the Ultimate Controlling Shareholder (Note 30). Refer to Note 31 for information on the cash payments received for the promissory notes.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. Share capital and share premium (continued)

In March-April 2013 the Shareholders of the Company approved the payment of a dividend of USD 5 631 thousand to the holders of preference shares. In May-June 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.

24. Borrowings

	2014 US\$	2013 US\$
Current borrowings		
Bank borrowings	42,060,736	10,002,466
Borrowings from related companies (Note 27)	<u>118,603,223</u>	<u>43,863,160</u>
	<u>160,663,959</u>	<u>53,865,626</u>
Non current borrowings		
Borrowings from related companies (Note 27)	<u>132,325,413</u>	<u>155,749,532</u>
	<u>132,325,413</u>	<u>155,749,532</u>
Total	<u>292,989,372</u>	<u>209,615,158</u>
Maturity of non-current borrowings:		
Between two and five years	<u>132,325,413</u>	<u>155,749,532</u>

The Company was in compliance with financial covenants at 31 December 2014 and 2013.

The fair values of borrowings approximate to their carrying amount as presented above,

25. Trade and other payables

	2014 US\$	2013 US\$
Shareholders' current accounts - credit balances (Note 27)	4,818,183	-
Trade payables and accruals	871,050	972,150
Other creditors	454,727	422,972
Payables to own subsidiaries and other related companies (Note 27)	<u>53,463,781</u>	<u>46,277,003</u>
	<u>59,607,741</u>	<u>47,672,125</u>

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

26. Current tax liabilities

	2014 US\$	2013 US\$
Corporation tax	379	7,116
Special contribution for defence	-	2,466
	<u>379</u>	<u>9,582</u>

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. Related party transactions

At 31 December 2014 the Company's principal immediate shareholders were Nori Holding Limited (Cyprus) which owned 100% of Class "A" shares (31 December 2013: 100% of Class "A" shares were owned by Nori Holding Limited) and Centimila Services Ltd (Cyprus) which owned 56.629% of class "B" shares (31 December 2013: 54.478% and 44.888% of Class "B" shares were owned by Centimila Services Ltd and Coniston Management Limited (BVI) respectively). At 31 December 2014 other owners of Class "B" shares included ICT Holding Ltd (Cyprus), Goldman Sachs International (UK) and some members of the key management personnel. The Group is ultimately controlled by Mr. Boris Mints, citizen of the Russian Federation (the "Ultimate Controlling Shareholder").

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").

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 2014 and 2013, 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:

27.1 Key management compensation (Note 8)

The remuneration of Directors who are members of key management was as follows:

	2014	2013
	US\$	US\$
Directors' remuneration in their executive capacity	3,782,203	695,018
Share based payment - equity settled plan	4,481,000	5,329,321
	<u>8,263,203</u>	<u>6,024,339</u>

Refer to Note 23 for details of the Company's share based payment plan.

O1 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. Related party transactions (continued)

27.2 Interest income (Note 5)

	2014 US\$	2013 US\$
Group entities:		
Dawson Int'l Inc.	1,350,270	1,350,270
Xeroma Management Ltd	5,726	682,483
Paremos Ltd	-	4,376,323
Eagleman Ltd	1,631,270	2,057,794
Ratado Holding Ltd	-	942,481
Firma Morava LLC	1,131,887	967,418
Belegar Ltd	411,432	245,043
Upstalen Ltd	-	732
Discovery Russian Realty Paveletskaya Project Ltd	1,953,085	679,989
Mervita Holdings Ltd	-	19,252
O1 Advisory Ltd	2,539	-
Tzotis Ltd	-	17,751
Pianconero Investments Ltd	-	63,399
Gunilla Ltd	-	108,340
O1 Property Management CJSC	15,585	-
VKS Invest LLC	1,157,397	-
Mistalda Holdings Ltd	12,101	-
Shareholder:		
Entity under common control:		
O1 Trust Ltd	-	292,134
	<u>7,671,292</u>	<u>11,803,409</u>

27.3 Interest expense

	2014 US\$	2013 US\$
Group entities:		
Hines DPIII Development Ltd	30,075	97,348
Hines DPIII Realty Ltd	43,496	66,962
Ratado Holding Ltd	408,109	-
Krugozor Business Center (Cyprus) Ltd	-	2,789,856
Le Fortaco Ltd	-	2,850,810
Business Center Stanislavsky (Cyprus) Ltd	-	2,266,412
Avion Corporate Business Center (Cyprus) Ltd	1,595	1,218,089
Levisoma Trading Ltd	660,707	566,788
Sharezone Capital Ltd	-	909,987
Valnaz Investments Ltd	-	428,657
Gasheka Realty LLC	772,992	64,599
Fundin Investments Ltd	8,090,889	2,876,712
White Estate Investments Ltd	1,758,008	17,505
Quotex Ltd	1,167,224	262,030
Eagleman Limited	81,751	-
Centimila Services Ltd	97,753	-
O1 Group Ltd	568,193	-
Nori Holding Ltd	86,619	-
Silver City Limited	312,037	-
Entity under common control:		
O1 Trust Services Ltd	-	11,776
	<u>14,079,448</u>	<u>14,427,531</u>

O1 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. Related party transactions (continued)

27.4 Receivables from own subsidiaries and other related companies (Note 21)

Name	2014 US\$	2013 US\$
Celera Corporation	15,552	11,668
Krugozor Business Center (Cyprus) Ltd	-	12,106
Le Fortaco Ltd	-	12,312
Business Center Stanislavsky (Cyprus) Ltd	-	16,807
Avion Corporate Business Center (Cyprus) Ltd	-	311,353
Eagleman Ltd	29,130,365	15,208,517
Sharezone Capital Ltd	15,830,069	6,537,017
Maiga Investments Ltd	-	1,360,700
Vivaldi Holdings Ltd	732,191	260,810
Levisoma Trading Ltd	43,490	375,377
CJSC O1 Properties Management LLC Silver City	1,704,172	562,783
OJSC Bolshevik	586,785	571,237
Gasheka Realty Ltd	374,629	370,610
Meteolook Investments Ltd	283,173	259,851
Quotex Ltd	85,221	65,000
Minesign Ltd	116,125,042	-
Receivables from other group entities	249,024,395	-
	14,503,952	3,037,420
	428,439,036	28,973,568

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

27.5 Loans to related parties (Note 20)

		2014 US\$	2013 US\$
Group entities:			
Assignment with Belegar Ltd	Principal	6,125,000	5,825,000
	Interest	656,475	245,043
Loan with Dawson Int'l Inc.	Principal	15,003,000	15,003,000
	Interest	5,478,764	4,128,494
Novation with Stroypromplast	Interest	-	7,309,275
Loan with Xeroma Management Ltd	Principal	-	3,317,885
	Interest	-	2,001
Loan with Nicolore Holdings Ltd	Interest	3,639,260	-
Loan with Firma Morava	Principal	3,671,033	12,297,014
	Interest	24,724	975,631
Loan with Eagleman Ltd	Principal	46,520,000	11,461,000
	Interest	1,771,511	140,241
Loan with Discovery Russian Realty Paveletskaya Project Ltd	Principal	32,732,923	23,525,000
	Interest	2,633,074	679,989
Loan with Pianconero Investments Ltd	Interest	-	79,159
Loan with Avion Corporate Business Center (Cyprus) Ltd	Principal	345,357	77,585
Grand Invest	Interest	181,082	-
Loan with Mistalda Holdings Ltd	Principal	179,771	-
	Interest	12,101	-
O1 Advisory Ltd	Principal	372,252	-
	Interest	2,492	-
VKS Investments	Principal	125,000,000	-
	Interest	1,157,397	-
O1 Properties Management CJSC	Principal	799,881	-
	Interest	13,806	-
		246,319,903	85,066,317

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. Related party transactions (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 Decemeber 2010, has an interest rate of 9%, and is repayable by 31 December 2013.

The Novation deed with Stroyplomplast was repaid during the year.

The loan to Firma Morava was provided at an interest of 13.10%, and is repayable by 31 December 2020.

The loan to Eagleman Ltd was provided at an interest of 5.65%, and is repayable by 31 December 2019.

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

The loan from Avion Corporate Business Center (Cyprus) Ltd was provided at an interest of 10%, and are repayable by 16 December 2016.

The loan to Mistalda Holdings Ltd was provided at an interest 7%, and is repayable by 01 September 2018.

The loan to O1 Advisory Ltd was provided at an interest 7%, and is repayable by 31 December 2018.

The loan to VKS Investments was provided at an interest 3.5%, and is repayable by 30 June 2019.

The loan to O1 Properties Management CJSC was provided at an interest 10%, and is repayable by 30 October 2018.

The loans to Xeroma Management Ltd, Pianconero Investments Ltd and Avion Corporate Business Center (Cyprus) Ltd and the Novation deed with Dawson International Inc. were repaid during the year.

27.6 Payables to subsidiaries and other related companies (Note 25)

Name	2014 US\$	2013 US\$
Ratado Holding Ltd	16,799,176	15,803,201
Eagleman Ltd	14,004,365	11,967,381
Silver City Ltd	4,945,472	8,483,019
Xeroma Management Ltd	1,350	1,350
Gunilla Ltd	1,151,000	-
Sabaton Holdings Ltd	-	2,719
White Estate Investments Ltd	1,326,036	1,326,036
Kolston Group Ltd	38,151	50,000
Invery Management Ltd	26,239	45,000
Discovery Russian Realty Paveletskaya Project Ltd	10,437,295	5,982,661
Avion Corporate Business Center (Cyprus) Ltd	2,552,468	2,476,193
Sharezone Vapital Limited	1,350	-
O1 Trust Ltd	26,501	26,501
Meteolook Investments Ltd	65,928	65,928
Vielle Limited	1,061,384	-
Paremos Ltd	1,350	-
O1 Advisory Ltd	1,263	-
Simeona Ltd	1,318	-
Quintiliano Ltd	1,248	-
Payables to other related parties	1,021,887	47,014
	53,463,781	46,277,003

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

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. Related party transactions (continued)

27.7 Loans from related undertakings (Note 24)

		2014 US\$	2013 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 O1 Trust Services Ltd	Principal	3,820	3,820
Loan with Avion Corporate Business Center (Cyprus) Ltd	Principal	-	-
	Interest	655,487	-
Loan with Krugozor Business Center (Cyprus) Ltd	Principal	2,508,889	-
	Interest	34,746	-
Loan with Le Fortaco Ltd	Principal	5,444,991	-
	Interest	207,343	-
Loan with Business Center Stanislavsky (Cyprus) Ltd	Principal	3,599,222	-
	Interest	165,076	-
Loan with Levisoma Trading Ltd	Principal	11,238,003	11,238,003
	Interest	1,120,848	460,141
Loan with Eagleman Limited	Principal	100,000	-
	Interest	81,751	-
Loan with Gasheka Realty LLC	Principal	21,139,110	2,857,452
	Interest	2,433,880	44,719
Loan with Fundin Investments Ltd	Principal	114,500,500	120,000,000
	Interest	4,098,903	2,876,712
Loan with White Estate Investments Ltd	Principal	36,975,000	18,255,000
	Interest	1,775,513	17,505
Loan with Quotex Ltd	Principal	-	41,403,000
	Interest	-	262,030
Loan with Ratado Holding Ltd	Principal	24,725,000	-
	Interest	408,108	-
Loan with Centimila Services Ltd	Principal	1,057,420	-
	Interest	97,753	-
Nori Holding Ltd	Interest	86,619	-
O1 Group Ltd	Principal	13,461,822	-
	Interest	22,498	-
Silver City Limited	Principal	4,274,523	-
	Interest	711,811	-
		<u>250,928,636</u>	<u>199,612,692</u>

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

The loan from Avion Corporate Business Center (Cyprus) Ltd was provided at an interest of 10%, and are repayable by 16 December 2016.

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 are repayable by 16 December 2016.

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

The loan from Eaglemans Ltd was provided at an interest of 11.35%, and is repayable by 30 April 2018.

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

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. Related party transactions (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 Ratado Holding Ltd was provided at an interest of 8.15%, and is repayable by 30 June 2019

The loan from Centimila Services Ltd was provided at an interest of 2.5%, and is repayable by 31 May 2018.

The loan from Nori Holding Ltd was provided at an interest of 12%, and is repayable by 31 December 2018.

The loan from Silver City Ltd was provided at an interest of 7%, and is repayable by 31 January 2015.

The loan from O1 Group Ltd was provided at an interest of 12.2%, and is repayable by 31 December 2018.

The loans from Quotex Ltd, Hines DPIII Development Ltd and Hines DPIII Realty Ltd were repaid during the year.

27.8 Shareholders' current accounts - debit balances (Note 21)

	2014	2013
	US\$	US\$
Promissory notes	24,805,349	225,000,000
Shareholders' current accounts – debit balances	<u>1,349</u>	<u>3,565</u>
	<u>24,806,698</u>	<u>225,003,565</u>

27.9 Shareholders' current accounts – credit balances (Note 25)

	2014	2013
	US\$	US\$
Amounts owed to shareholders	<u>4,818,183</u>	-
	<u>4,818,183</u>	-

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

27.10 Other income

	2014	2013
	US\$	US\$
Income from recharge of expenses to subsidiary companies	<u>3,625,911</u>	<u>3,461,480</u>

27.11 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.

28. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2014.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. Operating Environment

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 frequent changes and varying interpretations. During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

- the CBRF exchange rate fluctuated between RR 32.7292 at 1 January 2014 and RR 56.2584 at 31 December 2014 per USD;
- the CBRF key refinancing interest rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 12.0% p.a. to 17.0% p.a. on 16 December 2014;
- the RTS stock exchange index ranged between 1.444 and 578;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2014:

- the CBRF exchange rate fluctuated between RR 56.2376 at 1 January 2015 and RR 58.4643 per USD at 31 March 2015;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. In February 2015 Moody's Investors Service downgraded Russia's rating to Ba1 from Baa3. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible;
- the RTS stock exchange index ranged between 737 and 929;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates; and
- the CBRF key refinancing interest rate decreased from 17.0% p.a. to 14.0% p.a.

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by the 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 non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

01 PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. Commitments and Operating Environment (continued)

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

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 an 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.

Cyprus economy

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 and 2014 the Cyprus economy further contracted with a decrease in the Gross Domestic Product.

The Company's management has assessed that the performance and position of the Company is not affected by the developments of Cyprus economy.

30. Significant events after the reporting period

On 25 March 2015 the Company sold its 100% interest in Mokati Limited. The total sale consideration was USD 67 000 thousand.

On 25 March 2015 the Company sold a 100% interest in Blandid. The total sale consideration is USD 28 000 thousand.

On 31 March 2015 the Group acquired back for the total consideration USD 28 100 thousand 100% interest in Blandid Limited which owned a 50.1% interest in Solorita Holding Limited. Solorita Holding Limited owns a 100% interest in Asabelle Limited which owns Nezorol Limited, Finance Marekkon Limited and Merissania Limited. These three companies own the office center Bolshevik in Moscow.

On 5 May 2015 the Company sold its 100% interest in Sabaton Holdings Limited. The total sale consideration was USD 88 000 thousand.

Independent auditor's report on pages 4 and 5