O1 Properties Group

Annual Report and Consolidated Financial Statements
31 December 2014

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Mr. Dmitriy Mints Mr. Tomasz Zamiara Mr. Michael Stanton Mr. Alexander Ostrovskiy Mr. Richard Gregson Mr. Timothy Fenwick Mr. John Nacos Mr. Konstantin Yanakov Mr. Norbert Kickum
Secretary:	Theonitsa Constantinou
Independent Auditors:	PricewaterhouseCoopers Limited, Cyprus Certified Public Accountants and Registered Auditors
Registered office:	18 Spyrou Kyprianou 2nd floor 1075 Nicosia Cyprus
Bankers:	Bank of Cyprus UBS AG Russian Commercial Bank (Cyprus) Ltd Credit Europe Bank N.V. LGT Bank Ltd
Registration number:	HE 272334

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited consolidated financial statements of O1 Properties Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014.

Incorporation and status

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

Principal activities

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

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

The profit of the Group for the year ended 31 December 2014 was USD 94 417 thousand (2013: USD 197 731 thousand) while comprehensive loss for the year was USD 328 552 thousand (2013: comprehensive income was USD 110 112 thousand). At 31 December 2014 the total assets of the Group were USD 4 439 590 thousand and the total equity was USD 1 183 837 thousand (31 December 2013: USD 4 681 187 thousand and USD 1 588 390 thousand respectively). The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in Notes 2, 4, 20, 21 and 22 to the consolidated financial statements.

Results and Dividends

The Group's results for the year ended 31 December 2014 are set out on page 7. During 2014 the Directors approved the payment of dividends of USD 84 515 thousand. In addition, subsidiaries of the Group paid dividends of USD 23 503 thousand to non-controlling interest. Refer to Note 15 for the information on dividends approved during the year.

Share capital

Refer to Notes 15 to the consolidated financial statements for the information on changes in the share capital of the Company during the year.

Board of Directors

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

There were no changes in the Board of Directors since 1 January 2014 except in March 2014 and in January 2015 new directors Mr. Konstantin Yanakov and Mr. Norbert Kickum respectively were appointed by unanimous resolution of the Board of Directors of the Company pursuant to the Articles of Association of the Company.

The interests of the Members of the Board of Directors in the share capital of the Company are disclosed in Note 25 to the consolidated financial statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS (Continued)

Significant events after the reporting period

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

Existence of branches

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

Independent Auditors

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

By order of the Board of Directors,

30 April 2015

Dmitriy Mints, Director

Independent auditor's report

To the Members of O1 Properties Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of O1 Properties Limited (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 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 those books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

George C. Kazamias

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

30 April 2015

In thousands of US Dollars	Note	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	7	22 866	24 630	23 336
Investment property	8	4 020 665	4 172 500	2 639 912
Investment in associate	9	-	-	10 199
Investment in joint venture	9	7 099	11 484	-
Loans issued	10	44 243	16 615	23 032
Prepayments and deferred expenses		3 773	4 093	7 157
VAT receivable		257	9 469	6 984
Deferred income tax asset	19	53 845	-	-
Total non-current assets		**4 152 748**	**4 238 791**	**2 710 620**
Current assets				
Derivative financial instruments	22	5 139	14 043	-
Inventories		-	1 245	336
Loans issued	10	-	1 564	504
Prepayments and deferred expenses		10 745	33 798	6 340
VAT receivable		2 530	1 314	17 131
Trade and other receivables	11	74 792	286 810	37 653
Current income tax prepayments		6 678	11 716	399
Cash and cash equivalents	12	186 958	75 881	54 769
Assets available for sale	27	-	16 025	-
Non-current assets classified as held for sale		-	-	343 285
Total current assets		**286 842**	**442 396**	**460 417**
TOTAL ASSETS		**4 439 590**	**4 681 187**	**3 171 037**
LIABILITIES				
Non-current liabilities				
Borrowings	13	2 597 615	2 664 705	1 403 507
Tenant deposits		56 958	53 375	34 315
Deferred income tax liability	19	214 331	94 885	41 929
Total non-current liabilities		**2 868 904**	**2 812 965**	**1 479 751**
Current liabilities				
Borrowings	13	224 640	133 107	281 096
Derivative financial instruments	22	6 680	8 931	16 033
Tenant deposits		6 952	6 195	11 234
Deferred rental income		88 395	87 781	71 413
Current income tax liability		696	1 917	2 964
Trade and other payables and other liabilities	14	59 486	41 901	67 935
Liabilities directly associated with non-current assets classified as held for sale		-	-	229 117
Total current liabilities		**386 849**	**279 832**	**679 792**
TOTAL LIABILITIES		**3 255 753**	**3 092 797**	**2 159 543**
EQUITY				
Share capital and share premium	15	1 076 627	1 072 145	639 814
Property revaluation reserve	7	13 371	3 619	-
Currency translation reserve		(511 122)	(113 589)	(22 459)
Retained earnings		552 835	540 090	394 053
Equity attributable to the owners of the Company		**1 131 711**	**1 502 265**	**1 011 408**
Non-controlling interest	26	**52 126**	**86 125**	**86**
TOTAL EQUITY		**1 183 837**	**1 588 390**	**1 011 494**
TOTAL LIABILITIES AND EQUITY		**4 439 590**	**4 681 187**	**3 171 037**

Note: Equity before deferred taxation

In thousands of US Dollars	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)
Equity before deferred taxation attributable to:			
- Owners of the Company	1 282 182	1 598 432	1 078 338
- Non-controlling interest	66 850	86 388	86
Total equity before deferred taxation:	**1 349 032**	**1 684 820**	**1 078 424**
Deferred income tax assets	53 845	-	-
Deferred income tax (including related to assets classified as held for sale)	(214 331)	(94 885)	(66 930)
Share in deferred income tax liability of joint venture	(4 709)	(1 545)	-
Total equity	**1 183 837**	**1 588 390**	**1 011 494**

Approved for issue by the Board of Directors and signed on its behalf on 30 April 2015.

Dmitriy Mints, Director

Tomasz Zamiara, Director

Alexander Ostrovskiy, Director

Michael Stanton, Director

In thousands of US Dollars	Note	2014	2013 (Restated)
Rental revenue		412 475	341 773
Operating expenses of investment property	16	(61 193)	(49 563)
Net rental income	16	**351 282**	**292 210**
Net gain from fair value adjustment on investment property	8	1 991 603	286 422
General and administrative expenses	17	(32 433)	(32 348)
Other operating expenses	17	(8 342)	(14 003)
Other operating income		3 404	5 903
Net gain from disposal of subsidiaries	27	84 930	27 508
Finance income	18	6 115	17 852
Finance costs	18	(318 960)	(187 198)
Share of result of associate	9	-	4 131
Share of result of joint venture	9	22 703	2 362
Foreign exchange translation losses less gains	2	(1 690 102)	(138 530)
Profit before income tax		**410 200**	**264 309**
Income tax expense	19	(315 783)	(66 578)
Profit for the year		**94 417**	**197 731**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Effect of translation to presentation currency of the financial statements of foreign operations		(404 881)	(90 216)
Share of other comprehensive loss of associate	9	-	(529)
Share of other comprehensive loss of joint venture	9	(27 840)	(493)
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	7	13 095	3 619
Deferred tax liabilities on the property revaluation reserve	19	(3 343)	-
Total other comprehensive loss for the year		**(422 969)**	**(87 619)**
Total comprehensive (loss)/income for the year		**(328 552)**	**110 112**
Profit/(loss) is attributable to:			
- Owners of the Company		104 944	198 593
- Non-controlling interest	26	(10 527)	(862)
Total comprehensive (loss)/income is attributable to:			
- Owners of the Company		(282 837)	111 082
- Non-controlling interest		(45 715)	(970)

Note: Total comprehensive income for the period before deferred income tax expense

In thousands of US Dollars	2014	2013 (Restated)
Total comprehensive income/(loss) for the year before deferred income tax expense is attributable to:		
- Owners of the Company	14 016	170 831
- Non-controlling interest	(23 959)	(451)
Total comprehensive (loss)/income for the year before deferred income tax expense	**(9 943)**	**170 380**
Deferred income tax expense (including share in deferred income tax expense of joint venture)	(318 609)	(60 268)
Total comprehensive loss for the period	**(328 552)**	**110 112**

In thousands of US Dollars	Note	Share capital	Share premium	Property revaluation reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to owners of the Company							
Balance at 1 January 2013 (as previously reported)		**668**	**639 146**	**-**	**(24 335)**	**461 468**	**1 076 947**	**86**	**1 077 033**
Effect of change of accounting policy	3	-	-	-	1 876	(67 415)	(65 539)	**-**	(65 539)
Balance at 1 January 2013 (Restated)		**668**	**639 146**	**-**	**(22 459)**	**394 053**	**1 011 408**	**86**	**1 011 494**
Profit/(loss) for the year (Restated)		-	-	-	-	198 593	198 593	(862)	197 731
Other comprehensive income/(loss) for the year (Restated)		-	-	3 619	(91 130)	-	(87 511)	(108)	(87 619)
Total comprehensive income/(loss) for the year (Restated)		-	-	3 619	(91 130)	198 593	111 082	(970)	110 112
Business combinations	15, 27	-	202 000	-	-	-	202 000	87 009	289 009
Share capital restructuring	15	204	-	-	-	-	204	-	204
Share issue	15	151	224 849	-	-	-	225 000	-	225 000
Shares issue to top management	15	2	5 125	-	-	-	5 127	-	5 127
Dividends declared	15	-	-	-	-	(52 556)	(52 556)	-	(52 556)
Balance at 31 December 2013 (Restated)		**1 025**	**1 071 120**	**3 619**	**(113 589)**	**540 090**	**1 502 265**	**86 125**	**1 588 390**
Profit for the year		-	-	-	-	104 944	104 944	(10 527)	94 417
Other comprehensive income/(loss) for the year		-	-	9 752	(397 533)	-	(387 781)	(35 188)	(422 969)
Total comprehensive income/(loss) for the year		-	-	9 752	(397 533)	104 944	(282 837)	(45 715)	(328 552)
Business combinations	27	-	-	-	-	-	-	35 219	35 219
Shares issue to top management	15	1	4 481	-	-	-	4 482	-	4 482
Dividends declared	15	-	-	-	-	(84 515)	(84 515)	(23 503)	(108 018)
Fair value of guarantees issued to the companies controlled by the Ultimate Controlling Shareholder	22	-	-	-	-	(7 684)	(7 684)	-	(7 684)
Balance at 31 December 2014		**1 026**	**1 075 601**	**13 371**	**(511 122)**	**552 835**	**1 131 711**	**52 126**	**1 183 837**

In thousands of US Dollars	**Note**	**2014**	**2013 (Restated)**
Profit before income tax		**410 200**	**264 309**
Adjustments for:			
Depreciation	7, 17	715	824
Gain from change in fair value of investment property	8	(1 991 603)	(286 422)
Net gain on disposal of subsidiaries		(84 930)	(27 508)
Finance costs	18	318 960	187 198
Finance income	18	(6 115)	(17 852)
Share of result of associates	9	-	(4 131)
Share of result of joint venture	9	(22 703)	(2 363)
Foreign exchange translation losses less gains		1 690 102	138 530
Other non-cash adjustments		7 889	11 691
Operating cash flows before working capital changes		**322 515**	**264 277**
Net (increase)/decrease in VAT receivable		(1 216)	15 817
Net (increase)/decrease in trade and other receivables		(3 685)	2 519
Net increase in prepayments		(1 724)	(1 108)
Net (decrease)/ increase in tenant deposits		(674)	8 064
Net decrease in deferred rental income		(5 501)	(19 532)
Net decrease in trade and other payables		(8 181)	(73 319)
Effect of translation to presentation currency		97 886	(9 968)
Changes in working capital		**76 905**	**(77 526)**
Income tax paid		(4 478)	(15 105)
Net cash from operating activities		**394 942**	**171 645**
Cash flow (used in)/from investing activities			
Expenditures on subsequent improvements of investment property	8	(28 162)	(14 341)
Payments for land lease		(6 142)	(4 531)
Cash outflow on acquisition of subsidiaries	27	(6 999)	(98 010)
Cash outflow on acquisition of share in joint venture	9,27	(752)	(3 319)
Proceeds from sale of shares in subsidiary, net of cash disposed	27	15 176	111 916
Decrease in non-current VAT receivable		9 996	13 837
Loans issued		(70 281)	(128 546)
Repayment of loans issued		48 587	117 945
Interest received		68	3 442
Net cash used in investing activities		**(38 509)**	**(1 607)**
Cash flows from financing activities			
Proceeds from shares issued	15	200 000	-
Proceeds from borrowings		221 733	732 422
Repayment of borrowings		(335 815)	(682 151)
Interest paid		(192 551)	(151 233)
Currency exchange derivatives termination payment		(82 648)	-
Dividends paid	15	(61 853)	(52 556)
Net cash used in financing activities		**(251 134)**	**(153 518)**
Effect of exchange rate changes on cash and cash equivalents		5 778	(403)
Net increase in cash and cash equivalents		**111 077**	**16 117**
Cash and cash equivalents at beginning of the year		75 881	59 764
Cash and cash equivalents at the end of the year	12	**186 958**	**75 881**

Refer to Notes 15 and 27 for the information on significant non-cash transactions.

1 General Information

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

The Company was incorporated on 24 August 2010 as a private limited liability company and is domiciled in Cyprus. The address of its registered office is 18, Spyrou Kyprianou, 2nd floor, 1075 Nicosia, Cyprus.

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 56.367% of class "B" shares (31 December 2013: 54.478% and 44.888% of Class "B" shares were owned by Centimilla 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"). See Note 15 for an overview of difference in rights and obligations of "A" and "B" shareholders.

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

At 31 December 2014 the Company's long-term corporate credit rating assigned by the international agency Standard & Poor's is B+ (2013: B+).

At 31 December 2014 the consolidated subsidiaries and joint ventures of the Group were as follows:

Entity	Country of incorporation	Principal activity	% of effective ownership at 31 December 2014	% of effective ownership at 31 December 2013
Avion Corporate Business Center (Cyprus) Limited	Cyprus	Investment property	100[1]	100[1]
Almos OJSC (Note 27)	Russian Federation	Investment property	82.34	-
Bolshevik OJSC (Note 27)	Russian Federation	Investment property	49.81[5]	49.81[5]
Business Center Stanislavsky (Cyprus) Limited	Cyprus	Investment property	100[1]	100[1]
Finance Marekkon Limited	Cyprus	Investment property	50+1 share[1,5]	50+1 share[5]
Firma "Morava" LLC (Note 27)	Russian Federation	Investment property	85	85
Gasheka Realty Limited	Russian Federation	Investment property	100[1]	100[1]
Goldstyle Holdings Limited (Note 26,27)	Cyprus	Investment property	50.5[1]	50.5[1]
Krugozor Business Center (Cyprus) Limited	Cyprus	Investment property	100[1]	100[1]
Kvartal 674-675 LLC (Note 27)	Russian Federation	Investment property	66.7[1]	66.7[1]
Le Fortaco Limited	Cyprus	Investment property	100[1]	100[1]
Levisoma Trading Limited	Cyprus	Investment property	100[1]	100[1]
Levium LLC (Note 26,27)	Russian Federation	Investment property	50.52[1]	-
Merissania Holding Limited	Cyprus	Investment property	50+1 share[1,5]	-
Mervita Holdings Limited	Cyprus	Investment property	100[1]	100[1]
Meteolook Investments Limited	Cyprus	Investment property	100[1]	100[1]
Nezoral Limited	Cyprus	Investment property	50+1 share[1,5]	50+1 share[5]
Pianconero Investments Limited	Cyprus	Investment property	100[1]	100[1]
Silver City Limited	Russian Federation	Investment property	100[1]	100[1]
Tzortis Limited	Cyprus	Investment property	100[1]	100[1]
VKS Invest LLC (Note 27)	Russian Federation	Investment property	100	100
Afelmor Overseas Limited (Note 27)	Cyprus	Holding company	66.7[1]	66.7[1]
Amortilla Holding Limited	Cyprus	Holding company	100[1]	100[1]
Argam Limited	Cyprus	Holding company	100[1]	100
Asabelle Limited	Cyprus	Holding company	50+1 share[1,5]	50+1 share[5]
Barkmere Limited (Note 27)	Cyprus	Holding company	100	-
Bayroad Group Limited (Note 27)	British Virgin Islands	Holding company	50+1 share[1,5]	50+1 share[5]
Bitlena Holdings Limited	Cyprus	Holding company	100	100
Blandid Limited	Cyprus	Holding company	100	100
Celera Corporation	British Virgin Islands	Holding company	100	100

1 General Information (Continued)

Entity	Country of incorporation	Principal activity	% of effective ownership at 31 December 2014	% of effective ownership at 31 December 2013
Cemvertia Investments Ltd (Note 27)	Cyprus	Holding company	100	100
Collins Crest Limited	British Virgin Islands	Holding company	100	100
Freyamoon Limited	Cyprus	Holding company	100[1]	100[1]
Granisforth Investment Limited (Note 26,27)	Cyprus	Holding company	50.52[1]	-
Gunilla Limited (Note 26,27)	Cyprus	Holding company	50.5	50.5
Isida LLC (Note 26,27)	Russian Federation	Holding company	50.52[1]	-
Labiumo Holdings Ltd (Note 26, 27)	Cyprus	Holding company	50.52[1]	-
Letvion Investments Limited	Cyprus	Holding company	85	85
Minesign Limited	Cyprus	Holding company	100	100
Mistalda Holdings Limited (Note 26,27)	Cyprus	Holding company	50.52[1]	-
Mokati Limited	Cyprus	Holding company	100	100
Narvi Finance Limited	Cyprus	Holding company	50.5[1]	50.5[1]
Paremos Limited	Cyprus	Holding company	100	100
Quotex Limited	Cyprus	Holding company	100[1]	100[1]
Ratado Holding Limited	Cyprus	Holding company	100[4]	100
Sabaton Holdings Limited	Cyprus	Holding company	100	100
Sharezone Capital Limited	Cyprus	Holding company	100[1]	100[1]
Solorita Holding Limited	Cyprus	Holding company	50+1 share[1,5]	50+1 share[5]
Taavo Enterprises Limited (Note 27)	Cyprus	Holding company	85	85[3]
Talisia Investments Limited	British Virgin Islands	Holding company	100	100
Telchar Consulting Limited (Note 26,27)	Cyprus	Holding company	50.5[1]	50.5[1]
Thabit Holdings Limited	Cyprus	Holding company	100	100
Theochristel Limited	Cyprus	Holding company	100	100
Unisure Limited (Note 26,27)	Cyprus	Holding company	50.52[1]	-
Valnaz Investments Limited	Cyprus	Holding company	100	100
Vielle Limited (Note 26,27)	Cyprus	Holding company	100	-
Vivaldi Holdings Limited	Cayman Islands	Holding company	100[1]	100[1]
White Estate Investments Limited (Note 27)	British Virgin Islands	Holding company	100	100
Wizgate Holding Limited	Cyprus	Holding company	100[1]	100[1]
Balaton Holding S.à.r.l.	Luxembourg	Financing company	100[1]	-
Belegar Limited	Cyprus	Financing company	100[1]	100[1]
Construction-Invest LLC (Note 27)	Russian Federation	Financing company	50+1 share[5]	50+1 share[5]
Dipotravi Holdings Limited	Cyprus	Financing company	50+1 share[1,5]	50+1 share[5]
Discovery Russian Realty Paveletskaya Project Ltd	Cayman Islands	Financing company	100	100
Eagleman Limited	Cyprus	Financing company	100	100
Fundin Investments Limited	Cyprus	Financing company	100	100
Glenston Investments Limited	British Virgin Islands	Financing company	66.7[1]	66.7[1]
Gisoral Holdings Limited	Cyprus	Financing company	50+1 share[5]	50+1 share[5]
Invery Management Ltd	British Virgin Islands	Financing company	100	100
Kinevart Investments Limited	Cyprus	Financing company	66.7[1]	66.7[1]
Lomnia Services Limited	Cyprus	Financing company	100[1]	100[1]
Margo S.à.r.l. (Note 26,27)	Luxembourg	Financing company	50.52[1]	-
Nancit Enterprises Limited	Cyprus	Financing company	100	100[1]
Nightsky S.à.r.l.	Luxembourg	Financing company	100[1]	100[1]
Silver City Finance S.à.r.l.	Luxembourg	Financing company	100[1]	100[1]
Stabilac Limited	Cyprus	Financing company	100	100
Vardarac S.à.r.l. (Note 26,27)	Luxembourg	Financing company	50.5[1]	50.5[1]
Vivaldi Plaza Finance S.à.r.l.	Luxembourg	Financing company	100[1]	100[1]
Wallasey Limited	Cyprus	Financing company	100[1]	100[1]
Yellow Wall S.à.r.l.	Luxembourg	Financing company	100[1]	100
City-Developer LLC	Russian Federation	Management company	100	100
Hannory Holdings Limited	Cyprus	Management company	100	100
Nash Standart CJSC	Russian Federation	Management company	100	100
O1 Advisory Limited (Note 27)	Cyprus	Management company	100	-
O1 Properties Management CJSC	Russian Federation	Management company	100	100

1 General Information (Continued)

Entity	Country of incorporation	Principal activity	% of effective ownership at 31 December 2014	% of effective ownership at 31 December 2013
Annabeth Services Limited	Cyprus	Inactive	85	85
Boxar Holdings Limited	Cyprus	Inactive	100	100
Dawson Int'l Inc.	British Virgin Islands	Inactive	100	100
Jale Holdings Limited	Cyprus	Inactive	100	-
Gasheka Development Limited	Cyprus	Inactive	-	100
Gasheka Finance Company	Cayman Islands	Inactive	-	100
Hines DPIII Development Limited	Cyprus	Inactive	-	100[2]
Hines DPIII Realty Limited	Cyprus	Inactive	-	100[2]
Kolston Group Limited	British Virgin Islands	Inactive	100	100
Lillix Limited	Cyprus	Inactive	50+1 share[1]	-
Mumford Limited	Cyprus	Inactive	-	100
Mooncrown Limited	Cyprus	Inactive	100	-
Moonpeak Limited	Cyprus	Inactive	100	-
Nikkon Global Ltd	British Virgin Islands	Inactive	100	-
Oborne Finance Limited	British Virgin Islands	Inactive	100	100[1]
Simeona Limited	Cyprus	Inactive	100	-
Starye serebryaniki OJSC	Russian Federation	Inactive	100	100
Stroypromplast CJSC	Russian Federation	Inactive	-	100
Tropical Sunset Holdings Inc.	British Virgin Islands	Inactive	-	100[2]
Upstalen Limited	Cyprus	Inactive	-	100
Wakovia Limited	Cyprus	Inactive	100	-

1 Pledged in relation to borrowings (Note 13).

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

3 Shares representing 50% ownership were pledged in relation to borrowings (Note 13).

4 Refer to Note 22 for the information on pledge of shares in Ratado Holding Limited.

5 Investment of the Group in these entities is classified as a joint venture.

Refer to Note 27 for the information on acquisitions and disposals by the Group during 2014 and 2013.

2 Operating Environment of the Group

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

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 22). 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 varied between RR 32.7292 and RR 56.2584 per USD as of 1 January 2014 and 31 December 2014 and reached the highest of 67.7851 and the lowest of 32.6587 during the year;
- 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;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

2 Operating Environment of the Group (Continued)

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 49.6749 per USD and RR 69.6640 per USD;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's and Moody's cut it to BB+ and Ba1 respectively, putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible.
- 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.

Whilst a big percentage of the Group's rental income is denominated in US dollars the tenants are operating in Russia and primarily earning their income in Russian Roubles.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Cyprus. The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. These events led to negotiations between the Republic of Cyprus and the European Commission, the European Central Bank and the International Monetary Fund (the "Troika") for financial support which resulted into the Eurogroup decision on 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through a "bail in". Additionally, during 2013 and 2014 the Cyprus economy further contracted with a decrease in the Gross Domestic Product. The current and future economic, tax and legal conditions in Cyprus may have an adverse impact on some operations of the Group.

3 Basis of Preparation and Summary of Significant Accounting Policies

Basis of presentation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, under the historical cost convention as modified by revaluation of premises, investment property and derivative financial instruments.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

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

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

At 31 December 2014 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 56.2584 (31 December 2013: USD 1 = RR 32.7292) and the average exchange rate used for translating income and expenses was USD 1 = RR 38.4217 (2013: USD 1 = RR 31.848).

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

Change in accounting policy for deferred taxation of the fair value adjustment on the investment properties. Each investment property of the Group is owned by a separate Cypriot company. Any disposal of the investment property is expected to be performed through disposal of the shares in the respective Cypriot company. This is consistent with Russian market practice and the Group's practice in recent years. Taking into consideration the current structure of the Group and the current tax regulations (refer to Note 22 for information on tax contingencies), such disposal of shares is currently not taxable. Under the new Russian deoffshorisation law such disposals of shares will be taxable in the Russian Federation from 2017 onwards. However, the current version of the law is unclear about how to calculate the tax base and whether the current exemptions listed in the Russian Tax Code can be applied by the Group in such cases.

Following its formation in 2010 the Group adopted the accounting policy of not recording deferred taxation in relation to fair value adjustments on those investment properties held through separate Cypriot companies. This accounting policy was adopted by the Group on the basis of IFRS pronouncements and their interpretations available at that time. The management of the Group believes that there were no subsequent significant changes in the respective accounting pronouncements and their interpretations prior to July 2014.

A publication in July 2014 of an agenda decision "IAS 12 Income Taxes - recognition of deferred tax for a single asset in a corporate wrapper" by the IFRS Interpretations Committee, and subsequent discussion within the accounting profession and the real estate industry, suggested that a different accounting policy may be considered to be more appropriate by the market. As a result the Group decided to change their previous accounting policy to align it with the policy application more common on the market and which requires the recognition of deferred taxation in relation to fair value adjustments on investment properties held through separate Cypriot companies. This change of the accounting policy was applied retrospectively.

As noted, this change in the accounting policy was made in response to the new publication and subsequent discussion within the accounting profession and the real estate industry. There were no changes in the business model, tax positions or structure of the Group. The Group expects that it will be able to continue to dispose of properties (at least in the period to 2017) via the sale of the shares in the respective Cyprus companies and such disposals will not be taxable, in either Cyprus or Russia.

The effect of the change of the accounting policy on the consolidated statement of financial position at 31 December 2013 is presented below:

In thousands of US Dollars	**Previously reported**	**Adjustment**	**Restated**
ASSETS			
Non-current assets			
Investment in joint venture	13 028	(1 544)	11 484
Total non-current assets	**4 240 335**	**(1 544)**	**4 238 791**
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	2 651	92 234	94 885
Total non-current liabilities	**2 720 731**	**92 234**	**2 812 965**
EQUITY			
Currency translation reserve	(121 096)	7 507	(113 589)
Retained earnings	641 113	(101 023)	540 090
Equity attributable to the owners of the Company	**1 595 781**	**(93 516)**	**1 502 265**
Non-controlling interest	**86 388**	**(263)**	**86 125**
Total equity	**1 682 169**	**(93 779)**	**1 588 390**

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

The effect of the change of the accounting policy on the consolidated statement of financial position at 1 January 2013 is presented below:

In thousands of US Dollars	Previously reported	Adjustment	Restated
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	1 391	40 538	41 929
Total non-current liabilities	**1 439 213**	**40 538**	**1 479 751**
Current liabilities			
Liabilities directly associated with non-current assets classified as held for sale	204 116	25 001	229 117
Total current liabilities	**654 791**	**25 001**	**679 792**
EQUITY			
Currency translation reserve	(24 335)	1 876	(22 459)
Retained earnings	461 468	(67 415)	394 053
Equity attributable to the owners of the Company	**1 076 947**	**(65 539)**	**1 011 408**
Non-controlling interest	**86**	**-**	**86**
TOTAL EQUITY	**1 077 033**	**(65 539)**	**1 011 494**

The effect of the change of the accounting policy on the consolidated statement of profit or loss and other comprehensive income for the year 2013 is presented below:

In thousands of US Dollars	Previously reported	Adjustment	Restated
Net gain from disposal of subsidiaries	2 507	25 001	27 508
Share in result of joint venture	3 950	(1 588)	2 362
Profit before income tax	**240 896**	**23 413**	**264 309**
Income tax expense	(9 294)	(57 284)	(66 578)
Profit for the period	**231 602**	**(33 871)**	**197 731**
Other comprehensive(loss)/income:			
Effect of translation to presentation currency of the financial statements of foreign operations	(95 804)	5 588	(90 216)
Share of other comprehensive loss of joint venture	(536)	43	(493)
Total other comprehensive loss for the period	**(93 250)**	**5 631**	**(87 619)**
Total comprehensive income for the period	**138 352**	**(28 240)**	**110 112**
Profit/(loss) is attributable to:			
- Owners of the Company	232 201	(33 608)	198 593
- Non-controlling interest	(599)	(263)	(862)
Total comprehensive income/(loss) is attributable to:			
- Owners of the Company	139 059	(27 977)	111 082
- Non-controlling interest	(707)	(263)	(970)

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

The change of the accounting policy did not have any impact on the cash movements presented in the consolidated statement of cash flows for the year 2013.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have the practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than a majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

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

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

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

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

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

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

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

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

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

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

Investment in jointly controlled entities. Under IFRS 11 "Joint Arrangements" investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

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

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

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

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 23.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At the end of each reporting period management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

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

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

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

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

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

(a) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and

(d) sale proposals from the market players.

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

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

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

Net gains from fair value adjustment on investment property are recorded in the consolidated statement of profit or loss. Gains or losses on disposal of investment property are calculated as proceeds less carrying amount.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax. Property tax has been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The property tax charge is recognised in operating expenses. The tax base of the properties is their cadastral value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) assets and liabilities are translated at the closing rate at the end of the respective reporting period;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) components of equity are translated at the historical rate; and

(iv) all resulting exchange differences are recognised separately in other comprehensive income.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Valuation of investment properties. Refer to Note 23.

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

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

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

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

Tax, currency and customs legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 22.

Acquisitions of investment property. The Group concluded that the acquisitions of subsidiaries holding properties during 2014 and 2013 constituted acquisition of assets and liabilities rather than acquisition of businesses as defined in IFRS 3 “Business combinations”. The Group purchased assets and not the accompanying processes. The Group identified and recorded the individual identifiable assets acquired and liabilities assumed. The purchase price was allocated to those assets and liabilities on the basis of their relative fair values at the date of acquisition. The Group has not recorded any goodwill and deferred taxation arising from the assets acquired and liabilities assumed (including those paid by shares of the Company) as no business combination was recognised.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Recognition of reimbursement of operating expenses on investment property. Certain operating expenses related to investment property (security, utilities, cleaning, etc.) are reimbursed by tenants to the Group. Such receipts from the tenants are recorded by the Group as rental revenues since (1) usually there is a significant time period between respective payments and receipts and (2) the expenses are allocated to the tenants on the basis stipulated by a respective lease agreement which does not completely reflect the volume of specific services actually consumed by a particular tenant.

5 Adoption of New or Revised Standards and Interpretations

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

The Group adopted the following accounting pronouncements effective for the periods beginning on 1 January 2014. These new or amended standards or interpretations did not have any material impact on these consolidated financial statements, including IFRS 10 “Consolidated Financial Statements” and IFRS 11 “Joint Arrangements” based on which the relevant accounting policies were updated (Refer to Note 3).

- IFRS 10 “Consolidated Financial Statements” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).
- IFRS 11 “Joint Arrangements” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).
- IFRS 12 “Disclosure of Interest in Other Entities” (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).
- IAS 27 “Separate Financial Statements” (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014).
- IAS 28 “Investments in Associates and Joint Ventures” (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014).

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

- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).
- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2014).
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014).
- Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014).
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014).

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

Adopted by the European Union

- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).

Not yet adopted by the European Union

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 14 "Regulatory Deferral Accounts" (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017).
- Amendments to IAS 19 – Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Amendments to IAS 16 and IAS 41: Bearer Plants (issued 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

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

- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

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

6 Segment Information

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

In 2013 all activities of the Group were presented on the basis of two operating segments: yielding property (completed operating investment properties leased to third parties) and property under development (investment properties which were in the process of development or expected to be developed in the near future). Starting from 2014 it was concluded that the property under development is insignificant compared to the yielding property and started to consider all operations of the Group as one segment "Investment Property".

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

7 Property, Plant and Equipment

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

In thousands of US Dollars	**Premises**	**Computers**	**Office equipment**	**Total**
Cost/valuation at 1 January 2013	22 336	454	1 181	23 971
Accumulated depreciation	(223)	(129)	(283)	(635)
Carrying amount at 1 January 2013	**22 113**	**325**	**898**	**23 336**
Additions	-	85	84	169
Revaluation gain (recorded in other comprehensive income)	3 619	-	-	3 619
Depreciation charge (Note 17)	(429)	(193)	(202)	(824)
Disposals	-	-	(15)	(15)
Effect of translation to presentation currency	(1 582)	(21)	(52)	(1 655)
Carrying amount at 31 December 2013	**23 721**	**196**	**713**	**24 630**
Cost/valuation at 31 December 2013	24 455	492	1 122	26 069
Accumulated depreciation	(734)	(296)	(409)	(1 439)
Carrying amount at 31 December 2013	**23 721**	**196**	**713**	**24 630**
Additions	-	37	49	86
Revaluation gain (recorded in other comprehensive income)	13 095	-	-	13 095
Depreciation charge (Note 17)	(416)	(128)	(171)	(715)
Disposals	-	(4)	-	(4)
Effect of translation to presentation currency	(13 940)	(33)	(253)	(14 226)
Carrying amount at 31 December 2014	**22 460**	**68**	**338**	**22 866**
Cost/valuation at 31 December 2014	23 640	320	590	24 550
Accumulated depreciation	(1 180)	(252)	(252)	(1 684)
Carrying amount at 31 December 2014	**22 460**	**68**	**338**	**22 866**

7 Property, Plant and Equipment (Continued)

Premises represent the area occupied by the Group in Lighthouse building (Note 8).

The premises were last revalued at 31 December 2014 by the independent firm of valuers Cushman & Wakefield. The valuation was made on the basis of the income approach.

At 31 December 2014 and 2013 premises with carrying value of USD 22 460 thousand (2013: USD 23 721 thousand) were pledged as collateral with respect to borrowings (Note 13).

8 Investment Property

In thousands of US Dollars	**Note**	**2014**	**2013**
Total investment property at 1 January		**4 172 500**	**2 639 912**
Acquisition	27	1 119 193	1 462 778
Increase in land lease liabilities		18 222	-
Subsequent expenditure		28 162	14 341
Disposal of investment property	27	(962 509)	-
Fair value adjustment		1 991 603	286 422
Effect of translation to presentation currency		(2 346 506)	(230 953)
Total investment property at 31 December		**4 020 665**	**4 172 500**

The investment property represents land and office buildings located in Moscow, Russia. Land is leased from the Moscow City Authorities under renewable operating leases (from 4 to 49 years).

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

8 Investment Property (Continued)

Property name	Note	31 December 2014 Net rentable area (square metres)	31 December 2014 Amount (in thousands of US Dollars)	31 December 2013 Net rentable Area (square metres)	31 December 2013 Amount (in thousands of US Dollars)
WHITE SQUARE - Lesnaya Str., 5, Butyrsky Val st., 10	27	76 472	966 500	76 472	1 000 600
LeFORT - Elektrozavodskaya Str., 27, bldg. 1, 1A, 2, 3, 3A, 3D, 4-11		56 170	228 300	56 170	265 800
KRUGOZOR - Obrucheva Str., 30/1, bldg. 1-3		50 951	328 900	50 951	371 100
VIVALDI PLAZA - Letnikovskaya Str., 2, bldg. 1-3		48 042	410 900	48 014	444 500
SILVER CITY - Serebryanicheskaya Emb., 29		41 884	329 200	41 884	354 800
LEGENDA TSVETNOGO - Tsvetnoy Boulevard, 2	27	40 323	399 300	40 306	415 500
WHITE STONE (formerly "LESNAYA PLAZA") - 4th Lesnoy Lane, bldg. 4		39 691	272 500	39 691	293 600
STANISLAVSKY FACTORY - Stanislavskogo Str. 21, bldg. 1-3, 5, 16-20		34 562	234 300	34 499	252 300
DUCAT III - Gasheka Str., 6		33 462	397 500	33 462	412 500
GREENDALE - Oktyabrskaya Str., 98	27	under development	27 100	under development	33 500
LIGHTHOUSE - Valovaya Str., 26		27 492	245 600	27 508	259 400
KUTUZOV - Vasilisy Kozhinoy Str., 25	27	under development	13 900	under development	18 200
ICUBE - Nakhimovsky Prospect, 58	27	19 153	123 400	-	-
AVION - Leningradsky Prospect, 47, bldg. 2, 3		18 456	82 200	18 513	97 700
Total fair value of investment property and owner occupied premises		**486 658**	**4 059 600**	**467 470**	**4 219 500**
Less: Reclassification of owner occupied premises in LIGHTHOUSE			(22 460)		(23 721)
Total investment property at fair value			**4 037 140**		**4 195 779**
Add: Finance lease liabilities accounted for separately	13		23 013		16 003
Less: Straight line adjustment on rental income accounted for separately within trade and other receivables	11		(39 488)		(39 282)
Total carrying value of investment property			**4 020 665**		**4 172 500**

At 31 December 2014 and 2013 the valuation of investment property was carried out by the independent firm of valuers Cushman & Wakefield. The basis used for the valuation was mainly the income approach using the discounted cash flow technique. The critical assumptions used in the valuation are disclosed in Note 23.

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

9 Investments in Associate and Joint Venture

Investment in associate. Investment in associate was represented by the Group's investment in 50% of Taavo Enterprises Limited. Refer to Note 27 for the information on acquisition of additional interest and control in Taavo Enterprises Limited during 2013. Taavo Enterprises Limited is involved in construction of Greendale property (Note 8).

In thousands of US Dollars	2014	2013
Total investment in associate at 1 January	**-**	**10 199**
Share of result of associate	-	4 131
Share of other comprehensive income of associate	-	(529)
Transfer to subsidiary (Note 27)	-	(13 801)
Total investment in associate at 31 December	**-**	**-**

Investment in joint venture. Investment in joint venture represents 50% +1 share interest in a group of companies involved in construction of Bolshevik property (Note 27). Movements in the Group's investment in joint venture were as follows:

In thousands of US Dollars	2014	2013
Total investment in joint venture at 1 January	**11 484**	**-**
Acquisition of joint venture (Note 27)	-	6 295
Additional investment	752	3 319
Share of result of joint venture	22 703	2 362
Share of other comprehensive loss of joint venture	(27 840)	(493)
Total investment in joint venture at 31 December	**7 099**	**11 484**

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

At 31 December 2014 the total consolidated assets of Solorita Holding Limited, Bayroad Group Limited and their subsidiaries amounted to USD 233 106 thousand, represented mainly by investment property under development and the total consolidated liabilities amounted to USD 218 936 thousand represented mainly by borrowings (31 December 2013: USD 258 075 thousand and USD 235 153 thousand respectively). For the year ended 31 December 2014 the joint venture received USD 435 thousand revenue and USD 45 315 thousand profit (2013: USD 393 thousand and USD 4 716 thousand respectively). At 31 December 2014 capital commitments of the joint venture approximated USD 39 000 thousand (31 December 2013: USD 94 252 thousand).

10 Loans Issued

In thousands of US Dollars	31 December 2014	31 December 2013
Loans issued - due in more than 12 months	44 243	16 615
Loans issued - current portion	-	1 564
Total loans issued	**44 243**	**18 179**
Loans issued to related parties (Note 25)	44 243	16 615
Loans issued to other companies	-	1 564
Total loans issued	**44 243**	**18 179**

At 31 December 2014 and 2013 loans issued were neither past due nor impaired, were not secured, were denominated in USD and RR, had maturity dates from 31 December 2018 to 31 December 2019 and fixed interest at rates from 6.0 % to 10% per annum.

The fair value of loans issued is disclosed in Note 23.

11 Trade and Other Receivables

In thousands of US Dollars	31 December 2014	31 December 2013
Rent receivable	5 956	3 204
Straight-line adjustment on rental income (Note 8)	39 488	39 282
Receivables for sale of subsidiaries	-	6 244
Receivables from shareholders (Notes 15 and 25)	25 102	225 001
Receivables from related parties (Note 25)	1 070	1 011
Receivable for loan assignment	378	9 046
Other receivables	2 798	3 022
Total trade and other receivables	**74 792**	**286 810**

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

In thousands of US Dollars	31 December 2014	31 December 2013
Past due but not impaired		
- less than 30 days overdue	1 064	1 271
- 30 to 90 days overdue	984	404
- 91 to 180 days overdue	22	318
- 181 to 360 days overdue	10	372
- over 360 days overdue	11	519
Total past due but not impaired	**2 091**	**2 884**
Individually determined to be impaired		
- over 360 days overdue	250	-
Total individually impaired	**250**	**-**
Less impairment provision	**(250)**	**-**
Total	**2 091**	**2 884**

The above balances that are not impaired are mainly secured by the tenant deposits.

The fair value of trade and other receivables is disclosed in Note 23.

12 Cash and Cash Equivalents

In thousands of US Dollars	31 December 2014	31 December 2013
Cash on hand	3	7
Current and demand accounts	32 775	75 864
Deposits with banks	154 180	10
Total cash and cash equivalents	**186 958**	**75 881**

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

In thousands of US Dollars		31 December 2014	31 December 2013
Neither past due nor impaired			
AAA	Fitch Ratings	-	36
A+	Fitch Ratings	-	2 332
A	Fitch Ratings	-	328
A2	Moody's	860	-
BBB+	Fitch Ratings	92	16 155
Baa1	Moody's	72	-
BBB	Fitch Ratings, Standard & Poor's	27 726	46 198
BBB-	Fitch Ratings,Moody's	15 720	5 913
Baa3	Moody's	-	107
BB+	Fitch Ratings, Standard & Poor's	6 970	-
Ba1	Moody's	4 061	-
Ba2	Moody's	4 649	-
BB-	Fitch Ratings	-	624
B	Fitch Ratings, Standard & Poor's	125 889	1 724
Caa1	Moody's	542	-
Caa2	Moody's	-	660
Caa3	Moody's	355	-
RD	Fitch Ratings	-	1 273
Other	Fitch Ratings	19	524
Total cash balances with banks		**186 955**	**75 874**

Information on the balances with the related parties is disclosed in Note 25.

The fair value of cash and cash equivalents is disclosed in Note 23.

13 Borrowings

In thousands of US Dollars	31 December 2014	31 December 2013
Non-current borrowings		
Loans from banks	2 454 895	2 374 760
Loans from related parties	17 780	-
Loans from other companies and individuals	1 293	1 070
Rouble bonds financing	103 089	176 921
Redeemable preference shares	-	97 604
Finance lease liabilities	20 558	14 350
Total non-current borrowings	**2 597 615**	**2 664 705**
Current borrowings		
Loans from banks	116 720	118 250
Loans from related parties	144	8 666
Loans from other companies and individuals	87	2 080
Redeemable preference shares	105 234	2 458
Finance lease liabilities	2 455	1 653
Total current borrowings	**224 640**	**133 107**
Total borrowings	**2 822 255**	**2 797 812**

13 Borrowings (Continued)

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

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

The detailed information on borrowings at 31 December 2014 is presented below:

Name of Lender	Facility	Carrying amount in thousands of US Dollars	Currency	Contractual interest rate, % per annum		Repayment terms	Investment property pledged
Sberbank Russia	Facility Agreement dated 5 December 2012	670 863	USD	3 months LIBOR + 5.9%	payable quarterly	by quarterly installments to 5 December 2019	WHITE SQUARE
Sberbank Russia	Facility Agreement dated 20 March 2013	277 625	USD	3 months LIBOR + 6.2%	payable quarterly	by quarterly installments to 20 March 2020	VIVALDI PLAZA
Sberbank Russia	Facility Agreement dated 13 March 2014	167 343	USD	6.9%	payable quarterly	by quarterly installments to 13 March 2022	WHITE STONE
Aareal Bank	Facility Agreement dated 20 July 2007	365 758	USD	6.12%	payable quartely	by quarterly installments to 15 June 2017	
Aareal Bank	Facility Agreement dated 20 July 2007	75 651	USD	3 months LIBOR + 5.1%	payable quarterly	by quarterly installments to 15 June 2017	KRUGOZOR, STANISLAVSKY FACTORY, LeFORT
VTB Capital Plc	Facility Agreement dated 2 August 2013	217 102	USD	3 months LIBOR + 6.05%	payable quarterly	by 2 August 2020	SILVER CITY
VTB Bank (Deutchland) AG	Facility Agreement dated 29 May 2013	147 452	USD	7.0%	payable quarterly	by quarterly installments to 23 October 2019	LIGHTHOUSE
UniCredit Bank AG London	Facility Agreement dated 3 June 2013	235 170	USD	3 months LIBOR + 5.0%	payable quarterly	by 1 December 2018	DUCAT III
UniCredit Bank Austria AG	Facility Agreement dated 17 April 2013	74 968	USD	3 months LIBOR + 6.0%	payable quarterly	by quarterly installments to 31 January 2021	ICUBE
Gazprombank	Facility Agreement dated 16 December 2013	234 464	USD	3 months LIBOR + 5.25%	payable quarterly	by quarterly installments to 16 December 2019	LEGENDA TSVETNOGO
Rouble bonds financing	Agreement dated 7 August 2013	103 089	RR	12.0%	semian-nualy	by 12 August 2016	-
Alfa Bank	Facility Agreement dated 26 November 2012	63 188	USD	3 months LIBOR + 6.5%	payable monthly	by quarterly installments to 25 November 2022	AVION
Rost Bank	Facility Agreement dated 23 December 2014	42 031	RR	23%	payable monthly	by 23 December 2015	-
Sberbank Investments Limited (Cyprus)	Subscription and Shareholders' Agreement dated 5 December 2012	105 234	USD	15.0%	payable quarterly	-	-
Other		19 304	-	from 10.0% to 12.0%	payable at maturity date	-	-
Finance lease liabilities		23 013	RR	-	-	-	-
Total borrowings		**2 822 255**					

13 Borrowings (Continued)

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

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

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

At 31 December 2014 the undrawn facilities totalled USD 50 000 thousand (2013: USD 52 740 thousand).

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

- Loan to Value Ratios – represented by different types of ratios expressed as a percentage of the aggregate loans outstanding under the specific credit facility (subject to certain adjustments and depending on the amount of the committed loan facility) to the aggregate market value of a specific property or the property portfolio according to the most recent valuation;

13 Borrowings (Continued)

- Debt Service Cover Ratios - represented by different types of ratios expressed as a percentage of the net rental income of the Group or its subsidiaries for the specified period to the aggregate of principal, interest and other amounts payable under the specific credit facility for the same period;
- Equity ratios – expressed as a percentage of total equity to the aggregate amount of debt; and
- Minimum amounts of total equity.

The Group is also subject to compliance with a number of various non-financial covenants. Additional information on covenants is disclosed in Note 22.

The Group was in compliance with all covenants related to borrowings at 31 December 2014 and 2013.

The finance lease liabilities are related to the lease of land under investment properties (Note 8). The reconciliation between the total future minimum lease payments and their present value is set out below:

In thousands of US Dollars	**31 December 2014**	**31 December 2013**
Minimum lease payments:		
- not later than one year	2 583	1 697
- later than 1 year and not later than 5 years	10 301	7 241
- later than 5 years	80 535	56 475
Total minimum lease payments	**93 419**	**65 413**
Less future finance charges	**(70 406)**	**(49 410)**
Present value of minimum lease payments	**23 013**	**16 003**

At 31 December 2014 the interest rate implicit in the leases was 11.3% (2013: 11.3%). The fair value of borrowings is disclosed in Note 23.

14 Trade and Other Payables and Other Liabilities

In thousands of US Dollars	**31 December 2014**	**31 December 2013**
Payables for expenditure on investment properties	9 159	11 706
Payables for acquisition of subsidiaries	4 784	-
VAT and taxes payables other than on income	17 349	16 156
Payable to related parties (Note 25)	2 633	-
Guarantee issued liabilities	4 255	-
Accrued employees compensation	6 429	8 200
Dividends payable	11 139	-
Payables for professional fees	3 701	3 631
Other	37	2 208
Total trade and other payables and other liabilities	**59 486**	**41 901**

15 Share Capital and Share Premium

Share capital issued and fully paid comprises:

In thousands of US Dollars	Number of ordinary shares issued	Number of redeemable preference shares issued	Number of class A shares issued	Number of class B shares issued	Nominal amount	Share premium	Total
Balance at 1 January 2013	**50 193 544**	**16 790**	**-**	**-**	**668**	**639 146**	**639 814**
New redeemable preference shares issued	-	20 200	-	-	-	202 000	202 000
New class "B" shares issued		-	-	11 503 068	151	224 849	225 000
Share capital restructuring	(50 193 544)	(36 990)	20 418 480	50 193 544	204	-	204
Shares issue to top management	-	-	-	199 120	2	5 125	5 127
Balance at 31 December 2013	**-**	**-**	**20 418 480**	**61 895 732**	**1 025**	**1 071 120**	**1 072 145**
Shares issue to top management (Subscribed in June 2013)	-	-	-	74 120	-	-	-
Shares issue to top management (Subscribed in April 2014)	-	-	-	88 751	1	4 481	4 482
Balance at 31 December 2014	**-**	**-**	**20 418 480**	**62 058 603**	**1 026**	**1 075 601**	**1 076 627**

15 Share Capital and Share Premium (Continued)

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.

2015 events. In January 2015 the directors of the Company approved dividends in the amount of USD 3 500 thousand on Class “A” shares.

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. 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 Holding Limited (Note 1) with nominal value of USD 0.01 and share premium of USD 9,999.99 per share. These shares were issued in consideration for Nori Holding Limited transferring 100% of the shares in White Estates Investments Limited (Note 27, Acquisition of White Square).

In June 2013 the shareholders of the Company approved a share capital restructuring whereby: (1) authorised 37 500 redeemable preference shares of nominal value USD 0.01 each were converted and reorganised into 20 700 000 class “A” shares with a nominal value USD 0.01 each, (2) authorised 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 authorised share capital and allotted to Nori Holding Limited.

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

15 Share Capital and Share Premium (Continued)

On 30 December 2013 the Company issued to Centimila Services Ltd and Coniston Management Limited (Note 1) 11 503 068 class “B” shares (6 306 651 and 5 196 417 respectively) in exchange for consideration of USD 19.56 per share. The total consideration amounted to USD 225 000 thousand and was paid by promissory notes issued by Centimila Services Ltd and Coniston Management Limited with a total nominal value of USD 225 000 thousand repayable at sight but not earlier than 30 January 2014 and carrying no interest. The promissory notes are secured by a guarantee issued by O1 Group Limited, a company controlled by the Ultimate Controlling Shareholder (Note 1). Promissory notes in the amount of USD 200 000 thousand were repaid during 2014.

During 2013 the shareholders of the Company approved: (1) dividends of USD 5 631 thousand to the holders of preference shares, (2) dividends of USD 18 658 thousand to the holders of ordinary shares, (3) dividends of USD 26 207 thousand on class “A” shares and USD 2 064 thousand on class “B” shares.

Dividends for the year 2013 were declared in the amount of USD 1.56 per class “A” shares and USD 0.33 USD per class “B” shares.

16 Net Rental Income

In thousands of US Dollars	**Note**	**2014**	**2013**
White Square	27	80 324	52 608
Vivaldi Plaza		43 483	29 935
Ducat III		32 596	27 660
Krugozor		31 474	34 965
Silver City		30 703	35 782
Legenda Tsvetnogo	27	28 083	2 516
White Stone		26 465	30 002
LeFort		25 523	25 564
Stanislavsky Factory		24 586	23 890
Lighthouse		18 274	17 774
Avion		7 285	8 537
Icube	27	1 415	-
Olympia	27	-	2 977
Other		1 071	-
Total net rental income		**351 282**	**292 210**

The operating expenses for the year ended 31 December 2014 and 2013:

In thousands of US Dollars	**2014**	**2013**
Property management fees	17 526	11 859
Property tax	14 770	11 313
Cleaning and utilities	14 498	14 857
Repairs and maintenance	7 023	5 691
Security	4 573	4 082
Insurance	827	834
Other	1 976	927
Total operating expenses of investment property	**61 193**	**49 563**

17 General and Administrative Expenses and Other Operating Expenses

In thousands of US Dollars	Note	2014	2013
Employees compensation and related social contributions		17 580	22 549
Professional services		2 812	1 985
Non-recurring expenses		2 860	-
Marketing and advertising		1 826	555
Own premises related expenses		905	1 025
Taxes other than income		839	1 347
Bank fees		760	667
Depreciation of property, plant and equipment	7	715	824
Travel		532	539
Information services		265	739
Other		3 339	2 118
Total general and administrative expenses		**32 433**	**32 348**

The non-recurring expenses stated above include mainly the legal fees related to raising funds.

In thousands of US Dollars	2014	2013
Professional services	5 018	5 357
Impairment of assets available for sale (Note 27)	-	5 142
Leasing commissions	1 353	825
Other impairment	622	-
Other	1 349	2 679
Total other operating expenses	**8 342**	**14 003**

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

During 2014 the Company's statutory audit firm charged fees of USD 413 thousand (2013: USD 503 thousand) for audit services and fees of USD 45 thousand (2013: USD 90 thousand) for tax consultancy services.

Information on transactions with related parties is presented in Note 25.

18 Finance Income and Finance Costs

In thousands of US Dollars	Note	2014	2013
Net gain from derivatives		-	14 376
Interest income on loans		2 991	3 476
Income from guarantees issued		1 521	-
Interest income on deposits		1 497	-
Other		106	-
Total finance income		**6 115**	**17 852**
Interest expense on borrowings (excluding finance lease liability)		216 672	177 592
Net loss from derivatives		88 792	-
Interest expense on accretion of interest on tenants deposits		11 129	8 183
Finance charge on lease liabilities		1 860	1 423
Other		507	-
Total finance cost		**318 960**	**187 198**

Information on transactions with related parties is presented in Note 25.

19 Income Taxes

Income tax expense comprises the following:

In thousands of US Dollars	2014	2013
Current tax	8 401	7 897
Deferred tax	307 382	58 681
Income tax expense for the year	**315 783**	**66 578**

The income tax rate applicable to the majority of the Group's income (the Russian Federation) is 20%. The income tax rate on the Group's income in Cyprus is 12.5% (2013: 12.5%).

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

In thousands of US Dollars	2014	2013
Profit before income tax	**410 200**	**264 309**
Theoretical tax charge at the Company's statutory rate	51 275	33 039
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-taxable income on disposal of subsidiaries (Note 27)	(10 553)	-
- Non-deductible expenses related to foreign exchange losses	118 633	8 257
- Non-taxable income	(927)	(17 192)
- Net impact of difference in tax rates in different jurisdictions	146 840	24 111
- Unrecognised deferred tax asset related to acquisition of investment property	24 449	-
- Result from Joint Venture	(2 838)	-
- (Recognition of previously unrecognised losses carried forward)/Unrecognised losses carried forward	(18 495)	18 495
- Other	7 399	(132)
Income tax expense for the year	**315 783**	**66 578**

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

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

19 Income Taxes (Continued)

In thousands of US Dollars	31 December 2012	Credited/ (charged) to profit or loss	Effect of translation to presentation currency	Disposal of subsidiary (Note 27)	31 December 2013	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	Effect of translation to presentation currency	Disposal of subsidiary (Note 27)	31 December 2014
- Unrecognised Deferred tax asset	-	36 567	(1 828)	-	34 739	(29 592)	-	(5 147)	-	-
Total unrecognised deferred tax asset	**-**	**36 567**	**(1 828)**	**-**	**34 739**	**(29 592)**	**-**	**(5 147)**	**-**	**-**
Tax effect of taxable temporary differences/gross deferred tax assets/liabilities related to:										
- loss carry forward	-	-	-	-	-	147 220	-	(23 118)	-	124 102
- investment property and property plant and equipment	(65 539)	(57 284)	5 588	25 001	(92 234)	(467 845)	(3 343)	190 011	84 423	(288 988)
- other	(1 391)	(1 397)	138	-	(2 651)	13 243	-	(6 192)	-	4 400
Total net deferred tax asset/(liability) (including deferred tax asset/(liability) related to assets classified as held for sale)	**(66 930)**	**(58 681)**	**5 726**	**25 001**	**(94 885)**	**(307 382)**	**(3 343)**	**160 701**	**84 423**	**(160 486)**

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

The tax losses carried forward expire after 31 December 2020.

20 Financial Risk Management

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

Credit risk

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

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

Also refer to Note 22 for the information on derivatives financial instruments and guarantees.

Liquidity risk

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

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

- As the Group has a long-term investment horizon, it strives for a sound capital structure and actively seeks long-term financing;
- A targeted loan-to-value ratio on stabilised and yielding projects between 55% (comfortable) and 70% (maximum); and
- Weighted average loan maturity should exceed 3 years.

The table below shows liabilities at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

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

20 Financial Risk Management (Continued)

The maturity analysis of financial liabilities at 31 December 2014 was as follows:

In thousands of US Dollars	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	More than 5 years
Borrowings	2 822 255	3 668 634	426 887	970 282	1 668 158	603 307
Tenant deposits	63 910	82 730	7 282	23 634	29 313	22 501
Derivative financial instruments	6 680	11 964	9 670	2 294	-	-
Trade and other payables, excluding taxes payable and advances received	35 708	35 708	35 708	-	-	-
Total potential future payments for financial obligations	**2 928 553**	**3 799 036**	**479 547**	**996 210**	**1 697 471**	**625 808**

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

In thousands of US Dollars	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	3-5 years	More than 5 years
Borrowings	2 797 812	3 823 167	274 852	812 112	1 506 948	1 229 255
Tenant deposits	59 570	79 883	6 724	15 227	25 730	32 202
Derivative financial instruments	8 931	18 589	11 160	7 330	99	-
Trade and other payables, excluding taxes payable and advances received	17 545	17 545	17 545	-	-	-
Total potential future payments for financial obligations	**2 883 858**	**3 939 184**	**310 281**	**834 669**	**1 532 777**	**1 261 457**

In addition to the above potential future payments for financial obligations the Group has certain other commitments as disclosed in Note 22.

Market risk

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

Currency risk

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

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

20 Financial Risk Management (Continued)

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

	31 December 2014			31 December 2013 (Restated)		
In thousands of US Dollars	**USD**	**Euro**	**RR**	**USD**	**Euro**	**RR**
Monetary financial assets						
Loans issued	40 079	-	4 164	17 027	-	1 152
Cash and cash equivalents	175 751	413	10 794	62 254	6	13 621
Trade and other receivables	69 826	2 998	1 968	281 717	1 145	3 948
Assets available for sale	-	-	-	16 025	-	-
Effect of currency based derivatives	5 139		-	14 043	-	-
Total monetary financial assets	**290 795**	**3 411**	**16 926**	**391 066**	**1 151**	**18 721**
Monetary financial liabilities						
Borrowings	(2 653 779)	-	(168 476)	(2 604 276)	-	(193 536)
Tenant deposits	(59 572)	(4 313)	(25)	(54 977)	(4 593)	-
Effect of currency based derivatives	(6 680)	-	-	(8 931)	-	-
Trade and other payables, excluding taxes payable and advances received	(29 615)	(1 482)	(4 611)	(2 731)	(2 776)	(12 038)
Total monetary financial liabilities	**(2 749 646)**	**(5 795)**	**(173 112)**	**(2 670 915)**	**(7 369)**	**(205 574)**
Effect of currency based derivatives	(23 342)	23 342	-	(264 722)	84 342	180 380
Net balance sheet and derivatives position at 31 December	**(2 482 193)**	**20 958**	**(156 186)**	**(2 544 571)**	**78 124**	**(6 473)**

The above analysis includes only monetary assets and liabilities.

The main operating entities of the Group have Russian Rouble functional currency (Note 4).

Interest rate risk

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

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

In thousands of US Dollars	**Less than 1 year**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**More than 5 years**	**Total**
31 December 2014							
Fixed interest rate and hedged by interest rate derivatives floating interest rate borrowings	(147 324)	(299 437)	(583 145)	(963 126)	(150 720)	(167 343)	(2 311 095)
Floating interest rate borrowings	(488 147)	-	-	-	-	-	(488 147)
Net interest sensitivity position in borrowings (excluding finance lease liabilities) at 31 December 2014	**(635 471)**	**(299 437)**	**(583 145)**	**(963 126)**	**(150 720)**	**(167 343)**	**(2 799 242)**

20 Financial Risk Management (Continued)

In thousands of US Dollars	Less than 1 year	Year 2	Year 3	Year 4	Year 5	More than 5 years	Total
31 December 2013							
Fixed interest rate and hedged by interest rate derivatives floating interest rate borrowings	(10 592)	(100 090)	(386 480)	(833 447)	(966 476)	(150 648)	(2 447 733)
Floating interest rate borrowings	(334 076)	-	-	-	-	-	(334 076)
Net interest sensitivity position in borrowings (excluding finance lease liabilities) at 31 December 2013	**(344 668)**	**(100 090)**	**(386 480)**	**(833 447)**	**(966 476)**	**(150 648)**	**(2 781 809)**

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

The main interest rate risk of the Group is related to its borrowings. This risk arises mainly as a result of (1) originating borrowings at floating rates and (2) need to refinance the expiring borrowings. At 31 December 2014, if interest rates on borrowings of the Group had been 200 basis points higher (lower) with all other variables held constant profit before income tax expense for a year would have been USD 55 994 thousand lower (higher) (2013: USD 55 636 thousand lower (higher)).

Fixed interest rate and hedged by interest rate derivatives floating interest rate borrowings mainly consist of borrowings with floating interest rate hedged by interest rate swap with fixed interest rate.

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

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

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

	31 December 2014		31 December 2013	
	Contractual rate	Effective rate	Contractual rate	Effective rate
Loans from banks (primarily in USD)	6.6%	6.6%	6.8%	6.8%
Loans from other companies (primarily in USD)	11.9%	12.0%	12.1%	13.0%
Finance lease liabilities (all in RR)	-	11.3%	-	11.3%
Tenant deposits (all in USD)	-	8.7%	-	7.8%

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

- to maintain average interest rates below expected cap rates if the project is to be highly leveraged;
- to maintain an optimal mix of floating and fixed rate financing for all financial commitments; and
- to use floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates (Notes 13 and 22).

21 Management of Capital

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

Consistent with the industry, the Group monitors capital on the basis of the gearing ratio.

Management's objective is to maintain the gearing ratio below 70%. This ratio is calculated as net debt divided by total capital.

In thousands of US Dollars	**31 December 2014**	**31 December 2013 (Restated)**
Borrowings (Note 13)	2 822 255	2 797 812
Less: cash and cash equivalents (Note 12)	(186 958)	(75 881)
Net debt	2 635 297	2 721 931
Total equity	1 183 837	1 588 390
Total	3 819 134	4 310 321
Gearing ratio	**69.00%**	**63.15%**

Net assets value before deferred taxation per share calculation is set out below:

In thousands of US Dollars	**31 December 2014**	**31 December 2013 (Restated)**
Net assets value attributable to the owners of the Company before accounting for deferred taxation	1 282 182	1 598 432
Number of class "A" shares issued	20 418 480	20 418 480
Number of class "B" shares issued	62 058 603	61 895 732
Net assets value per class "A" share in USD	18,11	18,11
Net assets value per class "B" share in USD	14,70	19,85

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

Refer to Note 15 for the information on the share capital structure.

22 Contingencies, Commitments and Operating Risks

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

22 Contingencies, Commitments and Operating Risks (Continued)

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

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

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

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

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

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

Russian tax legislation is subject to some changes that are coming into effect from 1 January 2015. The changes include introduction of, among others, controlled foreign companies regime, corporate tax residency definition, beneficial ownership concept definition and taxation of some indirect property sale, as well as some other changes introduced by the Federal Laws No. 376-FZ dated 24 November 2014 and No. 366-FZ dated 24 November 2014.

The Group is assessing the impact that the changes introduced by the above laws may have on its operations and/or reporting.

In addition to the above matters, management estimates that at 31 December 2014 the Group had possible obligations from exposures to other than remote tax risks of approximately up to USD 47 330 thousand (2013: approximately up to USD 61 474 thousand). In the event that these possible tax risks crystallise as liabilities in the near future, the tax losses could be used to settle these liabilities. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Based on various valid arguments Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

22 Contingencies, Commitments and Operating Risks (Continued)

Capital commitments. At 31 December 2014 the Group has contractual capital expenditure commitments in respect of properties under development approximating USD 25 465 thousand (2013: USD 20 189 thousand). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Assets pledged and restricted. At 31 December 2014 investment properties and owner occupied premises with a fair value of USD 3 996 140 thousand and USD 22 460 thousand respectively (2013: USD 4 144 079 thousand and USD 23 721 thousand respectively) and related land lease and lease proceeds were pledged in relation to borrowings (Notes 7, 8 and 13). Also refer to Note 1 for the information on shares of subsidiaries of the Group pledged.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. Refer to Note 13.

In relation to the Borrowings detailed above in the section “Assets pledged and restricted” the Company accepted obligation to comply with certain covenants and conditions.

The Group was in compliance with covenants related to its borrowings.

During the year the Group was in breach of some financial covenants relating to the guarantee issued to O1 Group Ltd. The Group received a waiver in respect of such breach and at 31 December 2014 was in compliance with all covenants.

Management is currently in active discussion with a number of lenders with a view to amend certain covenants in order to introduce more favourable covenants for the Group.

Share based payments to employees. At 31 December 2014 the liabilities relating to the directors’ share based payments plan approximated to USD 196 thousand (2013: USD 134 thousand) and were recorded through general and administrative expenses in the profit or loss (Note 17).

Also refer to Note 15 for the information on shares allocated to top management.

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

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

At 31 December 2014 the Group had interest rate swap contracts with a total notional amount of USD 1 488 639 thousand (2013: USD 1 543 108 thousand) whereby the Group was paying a fixed interest rate in exchange for floating interest rate. At 31 December 2014 the positive fair value of these contracts was USD 4 666 thousand and the negative fair value of these contracts was USD 6 680 thousand (2013: USD 12 660 thousand positive fair value and USD 8 245 thousand negative fair value).

At 31 December 2014 the Group had foreign currency exchange options with a total notional amount of USD 23 342 thousand (2013: USD 84 342 thousand) whereby the Group had the right to sell fixed amounts of USD in exchange for fixed amounts of EUR and the counterparties had right to purchase fixed amounts of USD in exchange for fixed amounts of EUR if the market exchange rate crosses pre-determined borders. At 31 December 2014 the positive fair value of these contracts was USD 473 thousand (2013: USD 686 thousand negative fair value).

22 Contingencies, Commitments and Operating Risks (Continued)

In December 2014 the Group recognised the loss in the amount of USD 82 150 thousand in relation to termination of currency swap contracts. At 31 December 2013 the Group had currency swap contracts with a total notional amount of USD 180 380 thousand whereby the Group was paying fixed rate interest and principal in USD in exchange for fixed rate interest and principal in Russian Rouble. At 31 December 2013 the positive fair value of these contracts was USD 1 383 thousand.

Guarantees. In April 2014, in relation to a USD 100 million borrowing (increased to USD 200 million in August 2014 and optionally to be increased to USD 225 million) (the "Borrowing") by a company (the "Intermediary Shareholder") which (1) is controlled by Ultimate Controlling Shareholder (Note 1) and (2) owns and controls 100% interests in Centimila Services Limited (Note 1), the Group: (1) guaranteed performance of the Intermediary Shareholder with respect to the Borrowing, (2) pledged all shares in Ratado Holding Limited ("Ratado", a holding company for subsidiaries of the Group which own Lighthouse, Silver City and White Stone properties (Notes 1 and 6)) as security with respect to the Borrowing, (3) pledged rights for balances receivable by the Group from Ratado as security with respect to the Borrowing, (4) subordinated its rights related to balances receivable by the Group from Ratado to rights of creditors under the Borrowing, (5) accepted subordination of liabilities of certain subsidiaries of the Group to the Intermediary Shareholder to rights of creditors under the Borrowing, (6) accepted obligation to comply with certain covenants and conditions and (7) guaranteed payment of certain fees.

In April 2014 the Group guaranteed performance of the Intermediary Shareholder under a derivative contract based on the fair value of shares in the Company representing up to 11 503 068 class "B" shares of the Company.

In April 2014 the Group guaranteed a borrowing of up to USD 75 million by a company controlled by the Ultimate Controlling Shareholder. This company was acquired by the Group on 30 September 2014 as a part of acquisition of ICube property (Note 27).

The above guarantees were issued for no consideration. The Group recorded fair value of these guarantees at the date of origination in the amount of USD 7 684 thousand directly in the consolidated statement of changes in equity.

At 31 December 2014 the Group guaranteed liabilities of its joint venture (Note 9) in the amount of USD 131 929 thousand (2013: USD 88 878 thousand).

23 Fair Value

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

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

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

23 Fair Value (Continued)

Valuation of investment properties. The fair value of investment properties represents Level 3 measurement. In determining the fair value of the Group's investment property, management have regard to reports of independent appraisers who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category. Since the information on current or recent prices of comparable investment properties was limited, the fair value of investment properties was determined mainly using discounted cash flow valuation techniques. The Group used assumptions that were mainly based on market conditions existing at each reporting date. Changes in assumptions used in the valuation techniques could affect reported fair values. The methodology used for the valuation of investment property has not changed since 31 December 2013.

The functional currency of subsidiaries of the Group holding the investment property is RR. Therefore, fair value of investment property in RR is influenced by the changes in RR/USD exchange rates. This resulted in a significant gain from the fair value adjustment of investment property as a result of a significant depreciation of RR during 2014 (Note 2) despite the fact that there was a decrease in the fair value of the properties in USD.

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:

In thousands of US Dollars	**Valuation technique**	**Inputs used**	**Range of inputs**	**Reasonable change (% of input)**	**Sensitivity of fair value measurement**	**Fair value**
Yielding investment property	Discounted Cash Flow Technique	Discount rates	10.0 - 14.0%	+10%	(169 000)	
				-10%	180 000	
		Estimated rental value	200-2000 USD/ sq.m.	+10%	263 400	
				-10%	(264 200)	
		Exit capitalization rates	9.0 - 10.5%	+10%	(224 800)	
				-10%	279 900	4 018 600
Investment property under development	Discounted Cash Flow Technique	Discount rates	20.0%	+10%	(11 900)	
				-10%	13 500	
		Estimated rental value	300-800 USD/sq.m	+10%	18 200	
				-10%	(18 200)	
		Exit capitalization rates	10.0%	+10%	(13 100)	
				-10%	16 200	41 000
Total fair value of investment property per valuation reports at 31 December 2014 (Note 8)						**4 059 600**

23 Fair Value (Continued)

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

In thousands of US Dollars	**Valuation technique**	**Inputs used**	**Range of inputs**	**Reasonable change (% of input)**	**Sensitivity of fair value measurement**	**Fair value**
Yielding investment property	Discounted Cash Flow Technique	Discount rates	9.5 - 14.0%	+10%	(170 100)	
				-10%	180 500	
		Estimated rental value	200-2000 USD/ sq.m.	+10%	200 665	
				-10%	(200 456)	
		Exit capitalization rates	8.5 - 10.0%	+10%	(243 300)	
				-10%	297 500	4 167 800
Investment property under development	Discounted Cash Flow Technique	Discount rates	17.0 - 18.0%	+10%	(11 300)	
				-10%	12 600	
		Estimated rental value	300-800 USD/ sq.m.	+10%	20 634	
				-10%	(21 114)	
		Exit capitalization rates	9.5 %	+10%	(14 900)	
				-10%	18 300	51 700
Total fair value of investment property per valuation reports at 31 December 2013 (Note 8)						**4 219 500**

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

During the year 2014 and 2013 there were no reclassifications from or into Level 3 measurements.

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

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

Financial assets carried at amortised cost. The estimated fair value of financial assets carried at amortised cost is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Interest rates used depend on the perceived credit risk of the counterparty and ranged at 31 December 2014 from 6% p.a. to 10% p.a. (2013: from 6% p.a. to 10.35% p.a.).

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Interest rates used ranged from 5.26% p.a. to 23% p.a. (2013: from 5.17% p.a. to 16% p.a.).

23 Fair Value (Continued)

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

	31 December 2014		31 December 2013	
In thousands of US Dollars	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Loans issued (Level 3)	43 790	44 243	18 138	18 179
Trade and other receivables (Level 3)	74 792	74 792	286 810	286 810
Cash and cash equivalents (Level 2)	186 958	186 958	75 881	75 881
Loans from banks (Level 3)	2 541 503	2 571 615	2 494 531	2 493 010
Loans from other companies and individuals (Level 3)	1 232	1 380	3 142	3 150
Loans from related parties (Level 3)	21 269	17 924	8 651	8 666
Rouble bonds financing (Level 1)	109 732	103 089	176 820	176 921
Redeemable preference shares (Level 3)	113 980	105 234	102 209	100 062
Finance lease liabilities (Level 3)	23 013	23 013	16 003	16 003
Tenant deposits (Level 3)	64 896	63 910	63 335	59 570
Trade and other payables (Level 3)	35 708	35 708	17 545	17 545

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

Financial instruments carried at fair value. At 31 December 2014 and 2013 all derivative financial instruments were valued using valuation techniques (Discounted Cash Flow) with inputs observable in markets which is Level 2 measurement. Refer to Note 22.

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

24 Presentation of Classes of Financial Instruments with Measurement Categories

At 31 December 2014 and 2013 all of the Group's financial assets were included in category loans and receivables except for (1) derivative financial instruments and (2) assets available for sale. All of the Group's financial liabilities except for derivative financial instruments were carried at amortised cost. At 31 December 2014 and 2013 all derivative financial instruments of the Group were classified as at fair value through profit and loss.

25 Related Party Transactions

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

25 Related Party Transactions (Continued)

The outstanding balances with related parties were as follows:

In thousands of US Dollars	31 December 2014				31 December 2013			
	Immediate shareholders (excluding key management personnel)	**Companies under significant influence of ultimate controlling shareholder**	**Joint venture**	**Key management personnel**	**Immediate shareholders (excluding key management personnel)**	**Companies under significant influence of ultimate controlling shareholder**	**Joint venture**	**Key management personnel**
Loans issued (note 10)	-	4 164	40 079	-	-	-	16 615	-
Trade and other receivables (Note 11)	25 102	410	660	-	225 001	575	436	-
Prepayments and deferred expenses	-	-	-	-	-	23 001	-	-
Borrowings (Note 13)	(1 107)	(16 801)	(16)	-	-	(8 641)	(25)	-
Trade and other payables (Note 14)	-	(2 553)	(80)	(5 919)	-	(43)	(1)	(7 866)
Dividends (Note 14)	(5 024)	(6 115)	-	-				

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

In thousands of US Dollars	31 December 2014				31 December 2013			
	Immediate shareholders (excluding key management personnel)	**Companies under significant influence of ultimate controlling shareholder**	**Joint venture**	**Key management personnel**	**Immediate shareholders (excluding key management personnel)**	**Companies under significant influence of ultimate controlling shareholder**	**Joint venture**	**Key management personnel**
Rental revenue	-	1 402	210	-	-	3 466	-	-
Salaries and bonuses and related social contribution expense	-	-	-	(7 503)	-	-	-	(11 520)
Interest income	-	-	2 019	-	-	334	901	-
Interest expense	(186)	(1 585)	(2)	-	(619)	(1 300)	(2)	-
Other income	-	-	-	-	188	312	510	-
Expensed investments made on behalf of the joint venture partner	-	-	(748)	-	-	-	(3 306)	-

25 Related Party Transactions (Continued)

In addition the Group guaranteed obligations of related parties and pledged shares in certain subsidiaries in relation to liabilities of related parties (Notes 1 and 22).

At 31 December 2014 and 2013 some members of the Board of Directors of the Company provided pledge of personal assets with a fair value not exceeding USD 5 000 thousand in relation to borrowings by the Group.

Refer to Note 4 and 27 for the information on disposal and acquisition by the Group of subsidiaries in transactions with companies controlled by the Ultimate Controlling Shareholder. Non-controlling interests in companies holding Legenda Tsvetnogo and ICube properties are held by companies controlled by the Ultimate Controlling Shareholder.

Refer to Note 15 and 22 for the description of the share based payments to management.

Refer to Note 13 for the information on (1) significant borrowings received by the Group from Sberbank of Russia, a significant non-controlling shareholder of Afelmor (Note 27), and (2) funding received by the Group as a result of issue by a company controlled by the Ultimate Controlling Shareholder of Rouble bonds guaranteed by the Company.

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

	31 December 2014 % of class B shares (Note 15)	31 December 2013 % of ordinary shares
Michael Stanton	0.173%	0.095%
Alexander Ostrovskiy	0.189%	0.087%
Tomasz Zamiara	0.094%	0.033%

26 Non-Controlling Interest

The non-controlling interest that is material to the Group is represented by the non-controlling interest in ICube and Legenda Tsvetnogo projects.

At 31 December 2014 the total consolidated assets of Legenda Tsvetnogo project which includes Gunilla Limited and its subsidiaries, amounted to USD 403 998 thousand represented mainly by the yielding investment property and the total consolidated liabilities amounted to USD 301 811 thousand represented mainly by the borrowing from the bank (31 December 2013: USD 427 522 thousand and USD 251 679 thousand respectively). For the year ended 31 December 2014 Legenda Tsvetnogo project received USD 33 652 thousand revenue and USD 11 629 thousand loss (2013: USD 3 202 thousand and USD 817 thousand profit respectively).

At 31 December 2014 the total consolidated assets of ICube project which includes Mistalda Limited and its subsidiaries, amounted to USD 128 158 thousand represented mainly by the yielding investment property and the total consolidated liabilities amounted to USD 82 943 thousand represented mainly by the borrowing from the bank. For the period since its acquisition till 31 December 2014 ICube project received USD 1 480 thousand revenue and USD 7 377 thousand loss (2013: nil).

27 Acquisitions and Disposals

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

27 Acquisitions and Disposals (Continued)

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

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

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

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

27 Acquisitions and Disposals (Continued)

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

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

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

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

Acquisition of Kutuzov. On 21 August 2013 the Group acquired for USD 15 428 thousand a 100% interest in (1) Cemvertia Investments Limited (Cyprus) and (2) LLC "VKS Invest" (Russia), the owner of land leases in Moscow expected to be involved in construction of a new office property. The acquired companies constituted a group of net assets, rather than businesses as defined in IFRS 3 "Business combinations", as the Group purchased physical assets and not the accompanying processes.

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

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

27 Acquisitions and Disposals (Continued)

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

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

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

In September 2014 the shareholders of Gunilla resolved to convert its ordinary shares into 1 485 class “A” shares and 1 515 class “B” shares. Class “A” shares are owned by the non-controlling interest and (1) entitled to 75% of dividends paid by Gunilla until certain conditions are met and 25% afterwards, and (2) have no voting rights as long as a minimum dividend is paid. Class “B” shares are owned by the Group and (1) entitled to 25% of dividends paid by Gunilla until certain conditions are met and 75% afterwards, and (2) have voting rights.

The non-controlling interest in Gunilla is owned by a company controlled by the Ultimate Controlling Shareholder.

Acquisition of ICube. In September 2014 the Group acquired for a total consideration (including transaction costs) of USD 37 147 thousand (subject to certain adjustments) from a company controlled by the Ultimate Controlling Shareholder a 50.52% interest in Mistalda Holdings Limited (Cyprus) (“Mistalda”) which is a 100% parent of Levium LLC (Russia) which owns an office centre ICube in Moscow. The acquired companies constituted a group of net assets, rather than businesses as defined in IFRS 3 “Business combinations”, as the Group purchased physical assets and not the accompanying processes.

27 Acquisitions and Disposals (Continued)

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

In thousands of US Dollars	**Attributed fair value**
Cash and cash equivalents	218
Prepayments	1 616
VAT recoverable	875
Trade and other receivables	560
Current income tax prepayments	2
Investment property	144 789
Borrowings	(73 214)
Land lease liability	(687)
Trade and other payables	(2 981)
Attributed value of identifiable net assets of subsidiaries acquired	**71 178**
Less: non-controlling interest	(35 219)
Attributed value of identifiable net assets acquired after non-controlling interest	**35 959**
Transaction costs assumed by the Group for non-controlling interest	1 188
Total purchase consideration	**(37 147)**
Less: Cash and cash equivalents of subsidiary acquired	218
Less: Netting of trade receivables	5 000
Outflow of cash and cash equivalents on acquisition	**(31 929)**

The share capital of Mistalda is represented by 1 727 class “A” shares and 1 763 class “B” shares. Class “A” shares are owned by the non-controlling interest and (1) entitled to 75% of dividends paid by Mistalda until certain conditions are met and 25% afterwards, and (2) have no voting rights as long as a minimum dividend is paid. Class “B” shares are owned by the Group and (1) entitled to 25% of dividends paid by Mistalda until certain conditions are met and 75% afterwards, and (2) have voting rights.

The non-controlling interest in Mistalda is owned by a company controlled by the Ultimate Controlling Shareholder.

Acquisition of White Square. On 18 December 2014 the Group acquired for total consideration of USD 249 000 thousand a 100% interest in White Estate Investments Limited (BVI) which owns 67% interest in Afelmor Overseas Limited (Cyprus) (“Afelmor”). Afelmor owns 100% interest in Kvartal 674-675 LLC (Russia) which owns the office centre White Square in Moscow. The companies acquired constituted a group of net assets, rather than businesses as defined in IFRS 3 “Business combinations”, as the Group purchased physical assets and not the accompanying processes.

27 Acquisitions and Disposals (Continued)

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

In thousands of US Dollars	**Attributed fair value**
Cash and cash equivalents	12 352
Loans issued	42 236
Prepayments	394
VAT recoverable	14
Trade and other receivables	7 980
Current income tax prepayments	2 764
Deferred tax assets	38 363
Investment property	965 529
Borrowings	(781 163)
Tenant deposits	(11 625)
Land lease liability	(1 510)
Deferred rental income	(22 750)
Trade and other payables	(3 584)
Attributed value of identifiable net assets of subsidiaries acquired	**249 000**
Total purchase consideration	**(249 000)**
Less: Non-cash consideration	249 000
Less: Cash and cash equivalents of subsidiary acquired	12 352
Inflow of cash and cash equivalents on acquisition	**12 352**

Non-cash consideration represents the set-off of mutual obligations under the Shares Sale And Purchase Agreement and the Novation Agreement in respect of the sale and purchase of the entire issued share capital of White Estate Investments Limited.

Refer to Note 4 for Critical judgements on acquisition of investment properties.

Other acquisitions. During the reported periods the Group also acquired a number of minor subsidiaries including an acquisition for USD 6 501 thousand in September 2014 of a controlling interest in a company which owns land for parking next to the Greendale property.

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

27 Acquisitions and Disposals (Continued)

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

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	14 470
Loans issued	7 759
VAT receivable	16 372
Trade and other receivables	4 541
Investment property	322 579
Borrowings	(190 036)
Tenant deposits	(4 124)
Deferred tax liability	(25 001)
Deferred rental income	(14 499)
Trade and other payables	(6 017)
Carrying value of identifiable net assets of subsidiaries disposed	**126 044**
Gain from disposal	**26 453**
Transaction costs	6 323
Total sale consideration	**158 820**
Less: Fair value of contingent consideration	(21 167)
Less: Cash and cash equivalents of subsidiaries disposed	(14 470)
Less: Non-cash settlement of balance outstanding from the Group	(7 759)
Less: Transaction costs paid	(6 323)
Inflow of cash and cash equivalents on disposal	**109 101**

Contingent consideration represents payments to be received by the Group upon completion of certain conditions specified in the sale and purchase agreement. At 31 December 2014 contingent consideration was received partially and the rest was impaired to nil.

Disposal of White Square. On 16 December 2014 the Group sold its 100% interest in White Estate Investments Limited (BVI) which owns 67% interest in Afelmor Overseas Limited (Cyprus) ("Afelmor"). Afelmor owns 100% interest in Kvartal 674-675 LLC (Russia) which owns the office centre White Square in Moscow.

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

In thousands of US Dollars	**Attributed fair value**
Cash and cash equivalents	14 005
Loans issued	42 236
Prepayments	455
VAT recoverable	17
Trade and other receivables	9 050
Current income tax prepayments	3 150
Investment property	962 509
Borrowings	(781 290)
Tenant deposits	(13 506)
Land lease liability	(1 754)
Deferred tax liability	(39 854)
Deferred rental income	(26 430)
Trade and other payables	(4 011)
Carrying value of identifiable net assets of subsidiaries disposed	**164 577**
Gain from disposal	**84 423**
Total sale consideration	**249 000**
Less: Non-cash consideration	(249 000)
Less: Cash and cash equivalents of subsidiary disposed	(14 005)
Outflow of cash and cash equivalents on disposal	**(14 005)**

27 Acquisitions and Disposals (Continued)

Other disposals. During the reported periods the Group also sold a number of minor subsidiaries.

During 2013 the Group sold a number of minor subsidiaries with total gain on disposal of USD 1 055 thousand.

28 Subsequent Events

25 March 2015 the Group sold its 100% interest in Mokati limited which owns a 100% interest in Gasheka Realty Limited, company which owns the office center Ducat III in Moscow. The total sale consideration was USD 67 000 thousand.

25 March 2015 the Group sold a 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 Nezoral Limited, Finance Marekkon Limited and Merissania Limited. These three companies own the office center Bolshevik in Moscow. The total sale consideration is USD 28 000 thousand.

31 March 2015 the Group acquired back for total consideration of USD 67 100 thousand a 100% interest in Mokati Limited which owns 100% interest in Gasheka Realty Limited, company which owns the office center Ducat III in Moscow.

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 Nezoral Limited, Finance Marekkon Limited and Merissania Limited. These three companies own the office center Bolshevik in Moscow.

Refer to Note 2 for the information on significant changes in foreign currency exchange rates during 2015.

Refer to Note 15 for the information on dividends declared after 31 December 2014.