RSG INTERNATIONAL Ltd.

Unaudited interim condensed consolidated financial statements

For the six month period ended 30 June 2015

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General information

Board of Directors

Marios Nicolaides
Savvas Lazarides

Company secretary

A.J.K. Management Services Limited
1 Naousis, Karapatakis bldg
Larnaca, 6018
Cyprus

Registered office

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Independent auditors

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
6 Stasinou Avenue
P.O. Box 21656
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Interim Directors' report

The Board of Directors of RSG International Ltd. (the "Company") presents herewith its interim report and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015.

Principal activities

The Group is involved in real estate development in the Russian Federation. There were no changes in the Group's activities from last year.

Examination of the development, position and performance of the activities of the Group

The Board of Directors has assessed the risks set out in this report and believes that steps taken to mitigate the risks are sufficient to prevent their material adverse effect on the financial performance and financial position of the Group. Therefore: (i) the current financial position as presented in the consolidated financial statements is considered satisfactory; (ii) the Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

Financial results and dividends

The results of the Group for the respective periods are set out in the Statement of Operations and Statement of Comprehensive Income on pages 1 and 2 of the interim condensed consolidated financial statements.

The Board of Directors does not recommend the payment of a dividend and the net profit for the period is retained.

Main risks and uncertainties

In the ordinary course of business activity, the Group is exposed to a variety of risks the most important which are credit risk, liquidity risk and market risk. These risks are identified, measured and monitored through various control mechanisms at the operating level of subsidiaries.

Detailed information about risks is set out in Note 28 of the consolidated financilal statements for the year ended 31 December 2014 and is not expected to change significantly during second half of 2015.

Share capital

There were no changes in the share capital of the Company during the six months ended 30 June 2015.

The authorized and issued share capital of RSG International Ltd. as of 30 June 2015 consists of 6,786,205 ordinary shares of $1 each.

Branches

The Company did not operate through any branches during the year.

Events subsequent to the reporting date

Events subsequent to the statement of financial position date are disclosed in Note 22, Subsequent events.

Board of Directors

As at the date of this report the members of the Board of Directors are listed as follows:

Marios Nicolaides (Cypriot) – appointed on 24 March 2008.
Savvas Lazarides (Cypriot) – appointed on 17 February 2012.

The Company's Articles of Association do not provide for the rotation of directors. Each appointed director shall hold office until the next annual general meeting and shall be eligible for re-election.

By order of the Board

A.J.K. Management Services Limited
Secretary

Larnaca,
30 September 2015

Building a better
working world

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Report on review of interim condensed consolidated financial statements

To the shareholders of RSG International Ltd.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of RSG International Ltd. and its subsidiaries (the "Group") as of 30 June 2015 and the related interim condensed consolidated statements of operations, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Andreas Avraamides
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
30 September 2015

Interim consolidated statement of operations

For the six months ended 30 June 2015

(in thousands of US dollars)

	Notes	*Six months ended 30 June 2015 (unaudited)*	*Six months ended 30 June 2014* (unaudited)*
Revenue	5.1	235,921	247,330
Cost of sales	5.3	(188,208)	(167,334)
Gross profit		**47,713**	**79,996**
General and administrative expenses	5.4	(7,953)	(16,691)
Other operating income	5.6	3,399	316
Other operating expenses	5.6	(20,051)	(23,974)
Change in fair value of investment property	8	6,663	(15,559)
Operating profit		**29,771**	**24,088**
Finance income	5.5	4,841	7,502
Finance costs	5.5	(5,908)	(15,317)
Foreign exchange (loss)/gain, net		(602)	78
Share of profit of associates	3	40	13,060
Impairment of goodwill	4	–	(9,829)
Profit before income tax		**28,142**	**19,582**
Income tax expense	6	(7,608)	(11,013)
Profit for the period		**20,534**	**8,569**
Attributable to:			
Equity holders of the parent		20,199	7,924
Non-controlling interests		335	645

* The amount shown here do not correspond to the interim financial statements for the six months ended 30 June 2014 and reflect adjustments made in connection with the accounting treatment of sale of uncompleted real-estate projects (Note 2.3).

The accompanying notes on pages 6 to 25 form an integral part of these consolidated financial statements.

Interim consolidated statement of comprehensive income

For the six months ended 30 June 2015

(in thousands of US dollars)

	Notes	Six months ended 30 June 2015 (unaudited)	Six months ended 30 June 2014 (unaudited)
Profit		**20,534**	**8,569**
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Effect of translation to presentation currency		3,721	(17,450)
Other comprehensive income/(loss), net of tax		**3,721**	**(17,450)**
Total comprehensive income/(loss), net of tax		**24,255**	**(8,881)**
Attributable to:			
Equity holders of the parent		23,780	(9,078)
Non-controlling interests		475	197

Interim consolidated statement of financial position

At 30 June 2015

(in thousands of US dollars)

	Notes	30 June 2015 (unaudited)	31 December 2014 (audited)
Assets			
Non-current assets			
Property, plant and equipment	7	19,916	17,675
Intagible assets		8,673	10,792
Investments in associates	3	400	354
Investment properties	8	269,827	295,549
Interest-bearing loans receivable	9	3,695	3,454
Inventories	10	11,269	232
Defered tax asset	6	12,326	12,163
		326,106	**340,219**
Current assets			
Income tax receivable		4,567	3,555
Inventories	10	393,576	347,603
Trade and other recievables	11	29,540	29,388
Prepayments	12	16,695	13,382
Interest-bearing loans receivable	9	3,965	20,598
Taxes recoverable		10,431	9,671
Cash and cash equivalents	13	104,657	51,346
		563,431	**475,543**
Assets held for sale	8	6,844	-
		570,275	**475,543**
Total assets		**896,381**	**815,762**
Equity and liabilities			
Equity			
Issued capital	14	6,787	6,787
Share premium		671,712	671,712
Capital contribution reserve	14	(22,316)	(22,478)
Business combination reserve		112,009	112,009
Accumulated losses		(87,333)	(107,532)
Translation differences		(310,563)	(314,144)
Equity attributable to equity holders of the parent		**370,296**	**346,354**
Total non-controlling interest		15,213	14,738
Total equity		**385,509**	**361,092**
Non-current liabilities			
Interest-bearing loans and borrowings	15	55,787	15,721
Debt securities issued		53,774	53,056
Provisions	17	484	881
Other liabilities	16	11,625	19,290
Deferred income tax liabilities		60,878	59,264
		182,548	**148,212**
Current liabilities			
Trade and other payables		42,117	44,885
Advances from customers		157,929	100,951
Debt securities issued		46,689	46,250
Interest-bearing loans and borrowings	15	51,915	59,139
Income taxes payable		1,792	2,386
Other taxes payable		3,202	3,363
Provisions	17	4,743	10,057
Other liabilities	16	19,937	39,427
		328,324	**306,458**
Total liabilities		**510,872**	**454,670**
Total equity and liabilities		**896,381**	**815,762**

On 30 September 2015 the Board of Directors of RSG International Limited authorised these financial statements for issue.

Marios Nicolaides__________Director Savvas Lazarides__________Director

The accompanying notes on pages 6 to 25 form an integral part of these consolidated financial statements.

Interim consolidated statement of cash flows

For the six months ended 30 June 2015

(in thousands of US dollars)

	Six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)**
Cash flows from operating activities		
Profit before tax	**28,142**	**19,582**
Adjustments for:		
Depreciation and amortization (Note 5.2)	592	1,824
Finance income (Note 5.5)	(4,841)	(7,502)
Finance expenses (Note 5.5)	5,908	15,317
Impairment of goodwill (Note 4)	–	9,829
Foreign exchange (gains)/losses	602	(78)
Share of profits of associates (Note 3)	(40)	(13,060)
Loss on sale of property, plant and equipment and inventory (Note 5.6)	150	–
Change in fair value of investment properties (Note 8)	(6,663)	15,559
Write-down of inventory to net realizable value (Note 5.6)	7,299	13,465
Change in bonuses and unused vacation provisions	(211)	4,175
Losses from write off of VAT receivable	1,280	2,580
Change in provisons (Note 5.6)	221	(202)
Gain from creditor's liabilities (Note 5.6)	(33)	(109)
Impairment of irrecoverable trade and other receivables (Note 5.6)	630	658
Other non cash operations	144	429
Operating cash flow before changes in working capital	**33,180**	**62,467**
Decrease in provisions	(2)	(1,340)
(Increase)/decrease in trade and other receivables	(15,098)	28,221
(Increase)/decrease in inventories	(47,182)	52,636
Increase/(decrease) in trade and other payables	11,022	(14,519)
(Increase)/decrease in prepayments	(3,269)	19,299
Iincrease in VAT receivable	(1,888)	(361)
Increase/(decrease) in advances received	53,827	(2,696)
(Decrease)/increase in other taxes payable	(1,212)	1,054
Decrease in other liabilities	(3,013)	(26,779)
Cash flows from operating activities	**26,365**	**117,982**
Income tax paid	(7,401)	(29,496)
Interest paid	(12,118)	(30,779)
Net cash flows from operating activities	**6,846**	**57,707**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	126	–
Purchase of property, plant and equipment	(1,341)	(1,368)
Purchase of investment properties	(890)	(7,416)
Issuance of loans receivable	(3,385)	(12,255)
Repayment of loans issued	31,127	36,885
Interest-free financing provided	–	(35,276)
Repayment of interest-free financing	–	69,531
Interest received	29	1,398
Net cash from investing activities	**25,666**	**51,499**
Cash flows from financing activities		
Proceeds from borrowings and bonds	94,968	195,452
Repayment of borrowings and bonds	(89,764)	(339,406)
Repayment of finance lease obligation	(129)	–
Net cash flows from/(used in) financing activities	**5,075**	**(143,954)**
Effect of exchange rate changes on cash and cash equivalents	15,724	(3,937)
Net increase in cash and cash equivalents	**53,311**	**(38,685)**
Cash and cash equivalents at the beginning of the period	**51,346**	**94,827**
Cash and cash equivalents at the end of the period	**104,657**	**56,142**

* The amount shown here do not correspond to the interim financial statements for the six months ended 30 June 2014 and reflect adjustments made in connection with the accounting treatment of sale of uncompleted real-estate projects (Note 2.3).

The accompanying notes on pages 6 to 25 form an integral part of these consolidated financial statements.

Interim consolidated statement of changes in equity

For the six months ended 30 June 2015

(in thousands of US dollars)

	Attributed to equity holders of the parent								
	Issued capital	*Share premium*	*Capital contribution reserve*	*Business combination reserve*	*Accumulated losses*	*Foreign currency translation reserve*	*Total*	*Non-controlling interest*	*Total equity*
As at 31 December 2013 (audited)	**6,787**	**671,712**	**23,339**	**112,009**	**(127,788)**	**(38,170)**	**647,889**	**17,228**	**665,117**
Profit for the period	–	–	–	–	7,924		**7,924**	645	**8,569**
Other comprehensive income	–	–	–	–	–	(17,002)	**(17,002)**	(448)	**(17,450)**
Total comprehensive income	**–**	**–**	**–**	**–**	**7,924**	**(17,002)**	**(9,078)**	**197**	**(8,881)**
Capital Distributions to shareholders (Note 14)	–	–	(2,971)	–	–	–	**(2,971)**	–	**(2,971)**
Reorganization of ZHSPK "Akademichesky" (Note 3)	–	–	–	–	–	–	**–**	3,843	**3,843**
As at 30 June 2014 (unaudited)	**6,787**	**671,712**	**20,368**	**112,009**	**(119,864)**	**(55,172)**	**635,840**	**21,268**	**657,108**
As at 31 December 2014 (audited)	**6,787**	**671,712**	**(22,478)**	**112,009**	**(107,532)**	**(314,144)**	**346,354**	**14,738**	**361,092**
Profit for the period	–	–	–	–	20,199		**20,199**	335	**20,534**
Other comprehensive income	–	–	–	–	–	3,581	**3,581**	140	**3,721**
Total comprehensive income	**–**	**–**	**–**	**–**	**20,199**	**3,581**	**23,780**	**475**	**24,255**
Contributions from shareholders (Note 14)	–	–	162	–	–	–	**162**	–	**162**
As at 30 June 2015 (unaudited)	**6,787**	**671,712**	**(22,316)**	**112,009**	**(87,333)**	**(310,563)**	**370,296**	**15,213**	**385,509**

The accompanying notes on pages 6 to 25 form an integral part of these consolidated financial statements.

(in thousands of US dollars)

1. Corporate information

The interim condensed consolidated financial statements of RSG INTERNATIONAL Ltd. (hereinafter "the Company") and its subsidiaries (hereinafter, "RSG International" or "the Group") for the six months ended 30 June 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 30 September 2015.

RSG INTERNATIONAL Ltd. was incorporated in the Republic of Cyprus on 24 March 2008 as a limited liability company under the Republic of Cyprus Companies Law, Cap. 113. The Company's registered office is located at 1 Naousis Street, Karapatakis building, P.O. 6018, Larnaca, the Republic of Cyprus. The parent Company of the Group is Kortros Holding Ltd.

Mr. Victor Vekselberg is the ultimate controlling party of the Group.

Principal activities

Principal activities of the Group include investments in and construction of real estate properties for their further sale, rent or holding for capital appreciation purposes and construction of business and residential property in Moscow, Yekaterinburg, Yaroslavl, Krasnodar, Perm and other regions in the Russian Federation. The Group specializes on projects of Complex Territories Development (CTD), which envisage creation of balanced city-building solution (residential properties, infrastructure, work, social sphere, leisure) and its implementation on the specific land plot.

The consolidated financial statements include the financial statements of RSG INTERNATIONAL Ltd. and its subsidiaries. The major subsidiaries are listed in the following table:

№	*Entity*	*Country of incorporation*	*Activity*	*Effective ownership interest at 30 June 2015*	*Effective ownership interest at 31 December 2014*
1	JSC "Regionalnaya Stroitelnaya Gruppa – Akademicheskoe" (previously CJSC "Renova StroyGrup Akademicheskoe")	Russia	Real estate development	97%	97%
2	JSC "Energogeneriruyuschaya Company"	Russia	Utility production and distribution	100%	100%
3	LLC "United Contractor Relations Center"	Russia	Management services	100%	100%
4	LLC "ElitComplex"	Russia	Real estate development	100%	100%
5	LLC "EnkoInvest"	Russia	Real estate development	100%	100%
6	LLC "Uralskaya Kompaniya Razvitiya"	Russia	Real estate development	100%	100%
7	LLC "Petrovskiy Aliance"	Russia	Real estate development	100%	100%
8	LLC "MegaStroy Invest"	Russia	Real estate development	100%	100%
9	LLC "RSG-Finance"	Russia	Financial services	100%	100%

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. For the six months ended 30 June 2015, the Group reported operating cash inflow of $6,846 and net profit of $20,534. For the six months ended 30 June 2014, the Group reported operating cash inflow of $57,707 and net profit of $8,569.

In the next twelve months the Group expects to finance its operating, and investing activities primarily with cash generated from operations, and through attraction of additional borrowings from banks, issue long-term bonds and renegotiating of its short-term loans. Management believes that necessary financing will be available to the Group and it will be able to pay debts as they become due.

At 30 June 2015, the Group was in compliance with all of its financial covenants. Based on the current market conditions the Board and the management have reasonable expectations that the Group has adequate resources to continue its operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparation of these interim condensed consolidated financial statements.

(in thousands of US dollars)

2. Significant accounting policies

2.1 Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements of the Group for the the six months ended 30 June 2015 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

The interim condensed consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand except when otherwise indicated. At 30 June 2015 the principal rate of exchange used for translating foreign currency balances on the Group's interim condensed consolidated statement of financial position was 55.524 RUR/US dollar (2014: 56.2584 RUR/US dollar). The average rate used for translation of the Group's interim condensed consolidated statement of operations for the first half-year of 2015 was 57.3968 RUR/US dollar (first half-year 2014: 34.9796 RUR/US dollar). Whenever a significant individual transaction can be attributed to a specific date, it was translated into the US dollars using the rate of the date of the transaction.

2.2 New standards and amendments to them

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group`s annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015.

The Group has applied these new amendments for the first time in these condensed consolidation financial statements that are effective from the 1 January 2015:

- Annual improvements to IFRSs 2011-2013 Cycle (issued in December 2013 and effective from 1 January 2015).

Although these new amendments apply for the first time in 2015, they do not have an impact on the condensed financial statements of the Group.

2.3 Correction of errors in comparative information

In the process of preparation of interim condensed consolidated financial statements for the six month period ended 30 June 2015, the Group identified and corrected an error related to prior period regarding accounting treatment of sale of uncompleted real-estate projects classified as inventory items. Previously the Group recognized the net effects of sales of uncompleted projects in other operating income, while income from sales of such items of inventory arises in the course of ordinary activities of the Group and hence meets the definition of revenue and requires gross presentation in revenues and cost of sales. As a result, the Group's revenue and cost of sales for the six months of 2014 were understated by $8,147 and $775 respectively, and the other operating income was overstated by $7,372. Correction of this error was made by the restatement of the comparative information for the six months period ended 30 June 2014. The effects of the correction are presented below:

Statement of operations line	*Effect of error correction*	*Six months ended 30 June 2014 (before correction)*	*Six months ended 30 June 2014 (after correction)*
Revenue	8,147	239,183	247,330
Cost of sales	(775)	(166,559)	(167,334)
Other operating income	(7,372)	7,688	316

3. Investments in associates

The Group accounted for investments in associates under the equity method.

ZHSPK "Akademichesky"

In January 2014 the Group's associate ZHSPK "Akademichesky" was reorganized through establishment of a separate entity ZHSPK "Akademichesky-Yug", 82.4% subsidiary of the Group.

(in thousands of US dollars)

3. Investments in associates (continued)

ZHSPK "Akademichesky" (continued)

As a result of this reorganization, ZHSPK "Akademichesky-Yug" received a land plot lease rights from ZHSPK "Akademichesky", which was valued by independent appraiser (Note 8). The transaction is accounted for as a purchase group of assets housed in a subsidiary. As a result of this transaction non-controlling interest in amount of $3,843 was recognized.

The effect on financial statements of movement of investment in the associate was as follows:

	ZHSPK "Akademichesky"	
	For the six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Opening balance as at 1 January	**–**	**8,430**
Gain from investment in associate	–	13,065
Reorganization of ZHSPK-Akademichesky	–	(20,813)
Disposal of investment	–	(140)
Translation difference	–	(542)
Closing balance at 30 June	**–**	**–**

CJSC UK Akademichesky

The Group has 25% + 1 share in CJSC UK Akademichesky, acquired in 2011. The entity provides services to citizens of Academic city (Russian Federation, Ural Region).

Share of gain/(loss) of CJSC UK Akademichesky recognized for the six months ended 30 June 2015 was $40 (2014: $(5)).

4. Goodwill

The table below represents movements of goodwill:

	Carrying amount
At 31 December 2013	**10,505**
Impairment of goodwill for the period	(9,829)
Translation difference	(676)
At 30 June 2014	**–**

In prior periods goodwill in amount of $14,480 allocated mainly to CJSC "Renova-StroyGroup-Krasnodar" was tested for impairment on the basis of assumption that the major asset of the CJSC "Renova-StroyGroup-Krasnodar" – land plot classified as inventory would be used for development. As a result, recoverable amount was determined as it value in use. In the first half of 2014, the Group decided to sell the asset without development. As a result, the recoverable amount was decreased and full impairment of the goodwill was recognized. As of 30 June 2014, the Group accounted for of the imparment of 100% of the goodwill related to CJSC "Renova-StroyGroup-Krasnodar".

5. Income and expenses

5.1 Revenues

Revenues include the following:

	For the six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Sales of residential property	78,463	229,342
Sales of other projects	126,598	–
Sales of uncompleted projects	26,299	8,147
Rental income	410	526
Other revenue	4,151	9,315
Total	**235,921**	**247,330**

(in thousands of US dollars)

5. Income and expenses (continued)

5.1 Revenues (continued)

In the first half of 2015, the Group purchased hotel complex from the company under common control – LLC "Top Project" – and sold it to an unrelated party. The Group had previously provided the hotel complex development services under an agency agreement to the seller during the construction period. The Group considers real estate investments and sales as its principal activity and, consequently, recognizes such income as "Revenue" in the amount of $126,598 and related expenses as "Cost of sales" in the amount of $117,744 (Note 5.3) in the interim consolidated statement of comprehensive income.

In June 2015, the Group sold inventories (construction in progress) of Aristovo project. Sale of inventories was arranged through the sale of 100% share in the capital of its subsidiary LLC "Zolotoy Vozrast". The only significant asset of the subsidiary was the right to lease the land, classified as "construction in progress". Total assets of the subsidiary at the date of disposal amounted to $15,165 (including assets under construction in the amount of $14,628) and liabilities amounted to $10,293 (including social obligations in the amount of $2,189 and payable to the Buyer in the amount of $6,567, which originated before the sale of 100% share in the capital and represents the loan given by the Buyer to LLC "Zolotoy Vozrast" to repay intragroup loans). Since the substance of the transaction was the sale of the Group's assets under construction and transfer of the related social obligations, this transaction was presented as the sale of inventories for the total amount of $26,299. Cost of the disposed inventories was reduced by the amount of the related social obligations.In six months 2014, the Group sold inventories (construction in progress) for the amount of $8,147.

Other revenue is mainly represented by sales of heating energy in the amount of $2,526 (For the six months ended 2014: $7,837).

As part of its business activities, from time to time the Group concludes investment contracts with local authorities for the rights of development and construction of residential districts. According to these investment contracts, the Group may be required to provide apartments free of charge. Such an exchange of assets represents barter transaction. Transfer of the apartments constitutes sale, and deferred revenue is recognized at fair value of the apartments as of the date of gaining of the development rights. Deffered revenue is recognized in the profit and loss when respective apartments are transferred to individuals. During the six months ended 30 June 2015 and 2014, the Group recognized such revenues in the amount of nil and $3,190.

5.2 Employee benefits, depreciation and amortization

Staff costs, depreciation of property, plant and equipment and amortization of intangible assets included in cost of sales, general and administrative expenses and other expenses amounted to the following:

	For the six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Staff costs, including social security taxes	4,029	12,881
Depreciation and amortisation	592	1,824

5.3 Cost of sales

Cost of sales include the following:

	For the six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Cost of sales of residential property (Note 10)	56,308	157,758
Cost of sales of other projects	117,744	–
Cost of sales of uncompleted projects	11,439	775
Cost of sales for rent	67	176
Other costs	2,650	8,625
Total	**188,208**	**167,334**

For the six months ended 30 June 2015 the Group recognized cost of sold hotel complex in Sochi and uncompleted project Aristovo as cost of sales in the amount of $117,744 and $11,439, respectively.

For the six months ended 30 June 2014, the Group recognized cost of uncompleted project and land plots in Sverdlosk and Moscow regions as cost of sales in the amount of $775 (Note 2.3).

(in thousands of US dollars)

5. Income and expenses (continued)

5.4 General and administrative expenses

The structure of general and administrative expenses was the following:

	For the six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Payroll	2,698	8,518
Consulting	1,693	2,255
Rent	573	303
Security	490	973
Audit fees	405	435
Representation expenses	322	438
Depreciation of property, plant and equipment	315	703
Taxes	282	728
Repair and maitanance	170	377
Utilities services	167	293
Telecommunication	159	272
Materials	136	313
Other professional services	58	237
Amortization of intangible assets	47	26
Other	438	820
Total	**7,953**	**16,691**

5.5 Finance income and expenses

Finance income

The components of finance income were as follows:

	For the six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Interest on bank accounts and deposits	3,368	2,900
Interest on loans receivable	1,117	1,072
Interest on unwinding of discount on receivables	356	3,530
Total	**4,841**	**7,502**

Finance expenses

The components of finance expenses were as follows:

	For the six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Interest expense	5,453	15,155
Other financial expenses	455	162
Total	**5,908**	**15,317**

5.6 Other operating income and expenses

Other operating income

The components of other operating income were as follows:

	For the six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Receivables recovery (related party) and penalty gains	2,921	-
Gain from disposal of creditor's liabilities	33	109
Decrease of legal provision	–	202
Other income	445	5
Total	**3,399**	**316**

(in thousands of US dollars)

5. Income and expenses (continued)

5.6 Other operating income and expenses (continued)

Other operating expenses

The components of other operating expenses were as follows:

	For the six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Write-down of inventories to their net realizable value (Note 10)	7,299	13,465
Charity	4,925	–
Commercial expenses	4,430	4,806
Other taxes (excluding income tax)	1,439	3,001
Change in allowance for irrecoverable trade and other receivables (Note 11, 12)	630	658
Maintenance of completed real property	468	842
Legal provision	221	–
Bank services	179	436
Loss on disposal of property, plant and equipment	150	–
Penalty fees	44	400
Other expenses	266	366
Total	**20,051**	**23,974**

6. Income tax

Corporate tax

The Group's income was subject to tax at the following tax rates:

	For the six months ended 30 June	
	2015	*2014*
The Russian Federation (ordinary rate)	20.00%	20.00%
The Russian Federation (special tax regime area – The Perm Territory)	15.50%	15.50%
The Republic of Cyprus	12.50%	12.50%
Belize, BVI	0%	0%

Major components of income tax expense were as follows:

	For the six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Income tax expense – current	5,809	13,340
Deferred tax expense (benefit) – origination and reversal of temporary differences	1,750	(2,327)
Income tax – previous years	49	–
Income tax expense reported in the consolidated statement of operations	**7,608**	**11,013**

The major part of income taxes is paid in the Russian Federation.

Cyprus taxation

Under certain conditions, interest income may be subject to defence contribution at the rate of 30% (15% to 29 April 2013). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax year 2013 and 17% for 2014 and thereafter.

There is no withholding tax on payments of dividends by the Company to non-resident shareholders or shareholders that are companies resident in Cyprus. Payments of dividends to shareholders that are individual tax resident and also considered to be domiciled in Cyprus are subject to a 17% (for the tax years 2014 and 2015) Special Contribution for the Defence Fund of the Republic, i.e. "Defence Tax" (generally on a withholding basis).

(in thousands of US dollars)

7. Property, plant and equipment

Additions to construction in progress during the six months ended 30 June 2015 in the total amount of $2,014 (for the six months ended 30 June 2014: $4,163) were mainly represented by construction costs incurred on continued construction of utilities networks amounted to $1,532 and advance issued for construction of boilerhouse in Moscow region in amount of $434 (2014: nil).

The amount of borrowing costs capitalized as part of additions to property, plant and equipment during six months ended 30 June 2015 amounted to $196 (for the six months ended 30 June 2014: $1,747).

The weighted average rate used to determine the amount of borrowing costs eligible for capitalization was 13.55% for 30 June 2015 (for the six months ended 30 June 2014: 14.48%), which is the effective interest rate on specific borrowings.

For the six months ended 30 June 2015, the Group recognized depreciation charge of $545 (for the six months ended 30 June 2014: $1,798).

For the six months ended 30 June 2015, the Group transferred certain materials from inventory to construction in progress in amount of $632 (Note 10) represented mostly by materials used for construction of new office in Perm.

8. Investment properties

Investment property consisted of the following:

	30 June 2015 (unaudited)	*30 June 2014 (unaudited)*
Opening balance at 1 January	**295,549**	**592,914**
Additions (subsequent expenditure)	1,321	9,534
Reorganization of ZHSPK-Akademichesky	–	25,254
Transfer to inventory	(30,027)	(55,708)
Transfer to assets held for sale	(6,621)	–
Translation difference	2,942	(17,356)
(Decrease)/increase in fair value of investment property	6,663	(15,559)
Closing balance at 30 June	**269,827**	**539,079**

Interest capitalized as part of subsequent expenditure to investment properties amounted to $413 and $2,117 for the six months ended 30 June 2015 and 2014, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization for the six months ended 30 June 2015 was 13.47% (2014: 11.43%).

During the six month period ended 30 June 2015, the Group had income from rent of investment property of $250 (for the six months ended 30 June 2014: $526) and direct operating expenses arising from investment property that generated rental income of $76 (for the six months ended 30 June 2014: $214).

During the six months ended 30 June 2014 and 2015, the fair value of investment property was determined primarily based on valuation performed by an accredited independent appraiser, who holds recognised and relevant professional qualification and who has had recent experience in the locations and category of the investment property being valued.

During the six months period ended 30 June 2015, the Group concluded a contract for sale of a land plot in Akademicheskiy district. The land will be transferred to the buyer after all payments received. Therefore, the land plot was transferred to the assets held for sale at the fair value based on the latest valuation comprising $6,621.

The fair value of investment property was determined using the income approach and/or the sales comparison approach. The income approach is based on the assumption that the value of the property is conditional on the future benefits that the property will bring the owner within a certain period of time, and the risks associated with receiving the benefits. The sales comparison approach is based on comparative analysis of actual sales and/or asking prices for comparable properties.

Investment property relates to the Level 3 of fair value hierarchy. There were no transfers between levels during the six months ended 30 June 2015.

(in thousands of US dollars)

8. Investment properties (continued)

Description of valuation techniques used and key inputs to valuation on investment properties

The Group used income and comparable approaches for valuation of investment property.

Below are the major projects of the Group and description of valuation techniques for each as at 30 June 2015 and 2014. The investment properties are represented by the land plots for RSG-Akademicheskoe project.

RSG-Academicheskoe project had fair value of the investment property of $244,021 and 90.40% share in total consolidated value of investment property as of 30 June 2015 (31 December 2014: $255,506 and 86.5%, respectively).

Unobservable inputs for project RSG-Academicheskoe were as follows:

Description	*Methods of assessment*	*Unobservable inputs for project*	*Range (weighted average)*	*Sensitivity of the fair value to the inputs*
Land plots	Income approach, discounted cash flow method	Annual change of sales price for land plot	0.00%	Increase/(decrease) of sales price growth to 5% would increase/(decrease) fair value by $17,182/($17,182)
		Discount rate for investor's cashflows	19.00%	Increase of investor's cashflows discount rate to 1% and 2% would decrease fair value by $8,717 and $17,182
		Discount rate for developer's cashflows	25.00%	Increase of developer's discount rate to 1% and 2% would decrease fair value by $8,645 and $16,750
		Land plot's sales rate	1.1	Decrease of land plot's sales rate to 0.2% and 0.4% would decrease fair value by $45,026 and $81,172

Significant increases (decreases) in price adjustments to the comparable plots and discount rate in isolation would result in a significantly higher (lower) fair value of the properties.

9. Interest-bearing loans receivable

Current and non-current interest-bearing loans receivable were as follows as of:

	Interest rate 2015	*30 June 2015 (unaudited)*	*Interest rate 2014d)*	*31 December 2014 (audited)*
Non-current loans receivable				
Loans receivable from third parties	5.91-9.60%	1,058	5.91-9.60%	1,007
Loans receivable from related parties (Note 18)	3.35%	2,637	3.35%	2,447
Total non-current loans receivable		**3,695**		**3,454**
Current loans receivable				
Loans receivable from third parties	8.00-19.00%	376	7.00-12.00%	45
Loans receivable from related parties (Note 18)	9.01%	3,589	3.35-10.90%	20,553
Total current loans receivable		**3,965**		**20,598**

Loans receivable were denominated in currencies as presented below:

	Interest rate 2015	*30 June 2015 (unaudited)*	*31 December 2014 (audited)*	*31 December 2014 (audited)*
RUR	5.91-19.00%	5,023	3.35-10.90%	21,605
USD	3.35%	2,637	3.35%	2,447

(in thousands of US dollars)

10. Inventories

Inventories consisted of the following as of:

	30 June 2015 (unaudited)	*31 December 2014 (audited)*
Inventory properties under construction		
- at cost	311,975	208,890
- at net realizable value	21,752	19,961
Constructed inventory properties		
- at cost	47,702	99,544
- at net realizable value	13,859	19,094
Other inventory, at cost	**9,557**	**346**
Total	**404,845**	**347,835**
Including		
- current	393,576	347,603
- non-current	11,269	232
Cumulative write-down of inventory held as at 30 June 2015 and 31 December 2014 to net realizable value	46,496	41,500

Write-down of inventory to net realizable value is recognized in other operating expenses in the amount of $7,299 and $13,465 for the six months ended 30 June 2015 and 2014, accordingly.

A summary of movement in inventories is set out in the table below:

	30 June 2015 (unaudited)	*30 June 2014 (unaudited)*
Opening balance at 1 January (audited)	**347,835**	**556,850**
Construction costs incurred	87,219	116,951
Purchase of other projects from related party	109,904	-
Other costs incurred	145	3,146
Interest capitalized	7,992	9,362
Transfer from/(to) property, plant and equipment	(632)	(3,419)
Transfer from/(to) investment property (Note 8)	30,027	55,708
Write-down to net realizible value (Note 5.6)	(7,299)	(13,465)
Disposals (recognized in cost of sales of residential property) (Note 5.3)	(56,308)	(157,758)
Disposals (recognized in cost of other sales and other expenses)	(121,913)	(3,146)
Disposal of uncompleted construction projects	(14,628)	(797)
Translation difference	22,503	(14,661)
Balance as at 30 June (unaudited)	**404,845**	**548,771**

In the first half of 2015, the Group acquired from related party the hotel in the amount of $102,210 (at historical exchange rate), night club in the amount of $4,023 and youth animation centre in amount of $3,671. Disposals recognized in cost of other sales and other expenses represent mainly the cost of the hotel complex sold to a third party in the amount of $117,744 (at historical exchange rate) and night club in the amount of $4,023 donated to a third party (Note 5.3, 5.6).

During 2015 the Group sold Aristovo project, which main asset was represented by an uncompleted construction property with carrying amount of $14,628 (Notes 5.1).

During 6 months 2014 the Group sold two uncompleted projects with cost of uncompleted construction property in the amount of $797.

11. Trade and other receivables

Trade and other receivables consisted of the following as at:

	30 June 2015 (unaudited)	*31 December 2014 (audited)*
Trade accounts receivable due from third parties	2,502	3,843
Trade accounts receivable due from related parties (Note 18)	461	14,212
Other accounts receivable due from third parties	23,180	2,029
Other accounts receivable due from related parties (Note 18)	4,433	9,926
Allowance for irrecoverable amounts	(1,036)	(622)
	29,540	**29,388**

(in thousands of US dollars)

11. Trade and other receivables (continued)

Trade and other receivables were mainly denominated in Russian rubles. Movement of irrecoverable amounts are presented below:

	30 June 2015 (unaudited)	*31 December 2014 (audited)*
At January	**622**	**1,151**
Charge for the year (Note 5.6)	393	648
Amounts written off	–	(717)
Translation differences	21	(460)
At the end of period	**1,036**	**622**

12. Prepayments and other non-current assets

Prepayments made consisted of the following as at:

	30 June 2015 (unaudited)	*31 December 2014 (audited)*
Prepayments made to third parties for construction services	7,808	4,999
Prepayments made to third party for investment project	8,000	8,000
Prepayments made to related parties (Note 18)	1,833	1,075
Allowance for irrecoverable amounts	(946)	(692)
	16,695	**13,382**

As of 30 June 2015 and 31 December 2014, the Group recognized $8,000 of prepayments made to third party for investment project, which Group is planning to undertake in the future.

Movement of irrecoverable amounts ispresented below:

	30 June 2015 (unaudited)	*31 December 2014 (audited)*
At January	**692**	**1,099**
Charge for the year (Note 5.6)	237	815
Amounts written off	–	(541)
Disposal of subsidiaries	–	(197)
Translation differences	17	(484)
At the end of period	**946**	**692**

13. Cash and cash equivalents

Cash and cash equivalents consisted of the following as of:

	30 June 2015 (unaudited)	*31 December 2014 (audited)*
Cash at bank and in hand	23,952	10,120
Cash in OJSC "Metcombank" (Note18)	80,705	37,736
Short term deposits in OJSC "Metcombank" (Note 18)	–	3,490
	104,657	**51,346**

Cash and cash equivalents were mainly denominated in Russian rubles.

(in thousands of US dollars)

14. Equity

Total number of outstanding shares comprised:

Autorised, issued and fully paid	*Number of shares*	*Share capital*
At 31 December 2014	6,786,205	6,787
At 30 June 2015	6,786,205	6,787

In 2014 The Group performed management services to an entity under common control (the "Entity") in respect to the construction of the hotel complex in Sochi. For six months of 2014 Company's subsidiaries settled liabilities of the Entity in the total amount of $620, which was recognized as distribution to the parent in the consolidated statement of changes in equity of the Group as the costs of the settlement are not reimbursable by the parent (for the six months of 2015: nil).

Additionally, in 2014 Company's subsidiary provided interest free financing to the Entity presented in Trade and other receivables in the consolidated statement of financial position of the Group. The financing receivable was provided in form of payment due date deferral and recognized at fair value on initial recognition based on the market rate of interest for similar loans at the date of issue. The difference between the fair value and the nominal value of the receivable on initial recognition is recorded as distribution to parent in the consolidated statement of changes in equity of the Group and amounted to $1,565 for the six months of 2014 (six months 2015: nil).

In 2014 the Group provided loan in US dollars to an entity under common control maturing at 31 December 2017. This loan was recognized at fair value on initial recognition based on the market rate of interest for similar loans at the date of issue. The loan receivable outstanding amounted to $2,637 at 30 June 2015 (31 December 2014: $2,447). The difference between the fair value and the nominal value of the loan on initial recognition is recorded as distribution to parent in the consolidated statement of changes in equity of the Group and amounted to $786 for the six months of 2014 (six months 2015: nil).

On June 30, 2015 the maximum amount of quarantee provided by the Group in relation to the loan received by the entity under common control (Note 19) was reduced to 1.5 billion rubles. The resulting decrease in carring amount of the guarantee was recognized as contribution from shareholders in the amount of $162.

15. Interest-bearing loans and borrowings

The Group had the following interest-bearing loans and borrowings as at 30 June 2015 and 31 December 2014:

Non-current interest-bearing loans and borrowings	*Interest rate 2015*	*30 June 2015*	*Unused borrowing facilities*	*Interest rate 2014*	*31 December 2014*	*Unused borrowing facilities*
Loans and borrowings from third parties	11.90-19.00%	42,288	121,535	11.00-12.94%	1,546	91,996
Loans and borrowings from related parties	3.00-11.00%	13,499	15,811	8.50-16.00%	14,175	–
Total non-current interest-bearing loans and borrowings		**55,787**	**137,346**		**15,721**	**91,996**

Current portion of non-current interest-bearing loans and borrowings	*Interest rate 2015*	*30 June 2015*	*Unused borrowing facilities*	*Interest rate 2014*	*31 December 2014*	*Unused borrowing facilities*
Loans and borrowings from third parties	–	–	–	15.00%	8,888	–
Loans and borrowings from related parties	–	–	–	–	–	–
Total current portion of non-current interest-bearing loans and borrowings		**–**	**–**		**8,888**	**–**

(in thousands of US dollars)

15. Interest-bearing loans and borrowings (continued)

Current interest-bearing loans and borrowings	*Interest rate 2015*	*30 June 2015*	*Unused borrowing facilities*	*Interest rate 2014*	*31 December 2014*	*Unused borrowing facilities*
Loans and borrowings from third parties	0.00-21.00%	36,575	9,601	0.00-17.00%	47,542	136,060
Loans and borrowings from related parties	3.00-16.00%	15,340	–	3.00-11.50%	2,709	8,888
Total current interest-bearing loans and borrowings		**51,915**	**9,601**		**50,251**	**144,948**
Total interest-bearing loans and borrowings		**107,702**	**146,947**		**74,860**	**236,944**

All borrowings bear fixed interest as at 30 June 2015 and 31 December 2014. Interest-bearing loans and borrowings were mainly denominated in Russian Rubles.

Compliance with covenants

According to loan agreements terms, the Group and its subsidiaries are required to comply with debt covenants. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness. The Group was in compliance with all covenants as at 30 June 2015.

Pledged assets

At 30 June 2015, the Group had inventory with a carrying amount of $204,428 (31 December 2014: $212,574) and investment property with a carrying amount of $99,642 at 30 June 2015 (31 December 2014: $112,189) pledged as collateral under the loan agreements.

The Group had property plant and equipment with a carrying value of $440 at 30 June 2015 (31 December 2014: $422) pledged as collateral under the loan agreements.

As at 30 June 2015, the Group had pledged shares of the following subsidiaries:

Lender	*Subsidiary pledged*	*Pledged share of subsidiary*	*Share of pledged subsidiary in the total consolidated assets of the Group*	*Share of pledged subsidiary in the total consolidated revenue of the Group*	*Net assets of pledged subsidiary (including intra-group balances)*
OJSC "Sberbank of Russia"	CJSC Renova-StroyGroup-Academicheskoe	100%	50.40%	18.37%	335,934
OJSC "Sberbank of Russia"	LLC ElitComplex	100%	7.16%	8.24%	47,067
OJSC "BANK Uralsib"	LLC Encolnvest	100%	10.15%	0.31%	30,826
OJSC "Sberbank of Russia"	LLC Story Region Holding	100%	2.29%	0.00%	4,412
OJSC "Sberbank of Russia"	LLC PSP Express	100%	2.09%	5.53%	2,855
					421,094

As at 31 December 2014, the Group had pledged shares of the following subsidiaries:

Lender	*Subsidiary pledged*	*Pledged share of subsidiary*	*Share of pledged subsidiary in the total consolidated assets of the Group*	*Share of pledged subsidiary in the total consolidated revenue of the Group*	*Net assets of pledged subsidiary (including intra-group balances)*
OJSC "Sberbank of Russia"	CJSC Renova-StroyGroup-Academicheskoe	100%	51.6%	54.3%	317,816
OJSC "Sberbank of Russia"	LLC ElitComplex	100%	6.3%	15.1%	42,178
OJSC "BANK Uralsib"	LLC Enko Invest	100%	7.9%	9.3%	31,997
OJSC "Sberbank of Russia"	CJSC ElectroSetevaya Company	100%	1.6%	1.2%	13,765
OJSC "Sberbank of Russia"	LLC "Story Region Holding"	100%	1.9%	–	4,516
OJSC "Sberbank of Russia"	LLC PSP Express	100%	3.0%	4.6%	1,342
					411,614

(in thousands of US dollars)

16. Other liabilities

Other liabilities consisted of the following as of:

	30 June 2015 (unaudited)	*31 December 2014 (audited)*
Non-current non-financial liabilities		
Liabilities for purchasing of land lease rights	11,061	10,917
Non-current financial liabilities		
Liabilities for purchasing of land lease rights	201	–
Lease obligations	93	8,029
Guarantee issued for the loan provided by Vnesheconombank to entity under common control (Note 19)	270	344
	11,625	**19,290**
Current non-financial liabilities		
Liabilities for investment contracts with local authorities	8,401	8,291
Liabilities for construction of social objects	–	2,216
Other current liabilities	68	1,018
Current financial liabilities		
Liabilities due to related parties (Note 18)	–	14,789
Liabilities for acquisition of investment property	11,258	10,880
Lease obligations – current portion	113	1,648
Liabilities for purchasing of land lease rights – current portion	97	585
	19,937	**39,427**

In 2013, the Group acquired Petrovskiy Aliance LLC representing purchase of land lease right. As of 30 June 2015 the Group had outstanding non-current liabilities in respect of this purchase represented by an obligation to transfer 20% of apartments after completion the construction in amount of $11,061 and long term payable to Saint Peterburg Administration in amount of $201 (31 December 2014: $10,917 and $nil respectively), the short term payable represents the payable to Saint Peterburg Administration in the amount of $97 (31 December 2014: $585) accordingly.

In July 2012, the Group concluded agreement for acquisition of Zolotoy Vozrast LLC, by substance representing purchase of land lease right. As of 30 June 2015 and 31 December 2014 the Group had outstanding accounts payable in respect of this purchase in the amount of $11,258 and $10,880 respectively.

The Group concluded a number of investment contracts with local authorities for development and constructions of residential districts. According to these investment contracts, the Group is required to provide apartments free of charge. Current non-financial liabilities represented liabilities of the Group for provision of apartments under these investment contracts in amount of $8,401 and $8,291 as at 30 June 2015 and 31 December 2014, respectively.

17. Provisions

Provisions consisted of the following:

	Legal claims	*Provisions for tax liability*	*Construction of social objects*	*Provision for reconstruction*	*Total*
At 31 December 2014 (audited)	**142**	**955**	**6,120**	**3,721**	**10,938**
Accrued	350	–	–	79	**429**
Used amounts	(2)	–	(4,716)	(1,096)	**(5,814)**
Unused amounts reversed	(129)	–	(317)	(21)	**(467)**
Unwinding of discounting	–	–	24	164	**188**
Translation differences	8	13	(87)	19	**(47)**
At 30 June 2015 (unaudited)	**369**	**968**	**1,024**	**2,866**	**5,227**

Provision for tax liability includes estimation of probable tax risks as at the reporting date.

On 29 June 2012, the Group acquired 100% of ordinary shares of LLC "Stroy Region Holding" (the Russian Federation) from third party. The Group is required to perform reconstruction works for the acquired assets. As of 30 June 2015, the Group recognized current and non-current provision in respect of reconstruction works in the amount of $2,722 and $144 respectively (31 December 2014: $3,196 and $525, respectively).

(in thousands of US dollars)

18. Balances and transactions with related parties

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. The management considers that the Group has appropriate procedures in place to identify and properly disclose transactions with the related parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding on 30 June 2015 and 31 December 2014 and six months period ended 30 June 2015 and 2014 are detailed below:

At 30 June 2015 (unaudited)	*Loans receivable*	*Trade and other receivables*	*Advances issued*	*Cash and cash equivalents*	*Interest-bearing loans and borrowings*	*Trade and other payables, other liabilities*	*Advances received*
Shareholder of the parent company	2,637	3,668	–	–	577	228	–
Associates	–	16	23	–	–	103	–
Entities under common control	3,589	1,210	1,810	80,705	28,262	206	282
Total	**6,226**	**4,894**	**1,833**	**80,705**	**28,839**	**537**	**282**

31 December 2014	*Loans receivable*	*Trade and other receivables*	*Advances issued*	*Cash and cash equivalents*	*Interest-bearing loans and borrowings*	*Trade and other payables, other liabilities*	*Advances received*
Shareholder of the parent company	2,447	3,620	–	–	565	220	2
Associates	–	5	54	–	–	110	–
Entities under common control	20,553	20,513	1,021	41,226	16,319	17,548	90
Total	**23,000**	**24,138**	**1,075**	**41,226**	**16,884**	**17,878**	**92**

Six months ended 30 June 2015 (unaudited)	*Revenue*	*Finance income*	*Cost of sales*	*Finance costs expensed and capitalized*	*Other income/ (expenses)*	*Purchases*
Shareholder of the parent company	–	194	–	13	–	–
Associates	41	–	198	–	(152)	–
Entities under common control	2,404	4,293	321	2,814	6	109,904
Total	**2,445**	**4,487**	**519**	**2,827**	**(146)**	**109,904**

Six months ended 30 June 2014 (unaudited)	*Revenue*	*Finance income*	*Cost of sales*	*Finance costs expensed and capitalized*	*Other income/ (expenses)*	*Purchases*
Shareholder of the parent company	–	29	–	9	–	–
Associates	2,723	–	275	–	(388)	–
Entities under common control	2,494	3,134	594	5,883	(18)	–
Total	**5,217**	**3,163**	**869**	**5,892**	**(406)**	**–**

The balances with related parties as at 30 June 2015 and 31 December 2014 are unsecured and settlement occurs in cash. Loans and borrowings are interest bearing, while trade receivables, cash and advances granted are not interest bearing. There have been no guarantees provided or received for any related party receivables or payables except as described in Notes 16 and 19.

(in thousands of US dollars)

18. Balances and transactions with related parties (continued)

Compensation to key management personnel

Key management personnel include top managers of the Group and major subsidiaries.

Total compensation to key management personnel was included in general and administrative expenses in the consolidated statement of operations and consisted of short-term employee benefits:

	For six months ended 30 June	
	2015 (unaudited)	*2014 (unaudited)*
Salary	1,435	2,476
Performance bonuses	1,615	2,494
Other compensations	32	632
Social security taxes	95	192
Total	**3,177**	**5,794**

19. Contingencies, commitments and operating risks

Operating environment of the Group

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2015, the Russian economy continued to be negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries in 2014. The Rouble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods in the Russian Federation 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.

Separately, changes in tax legislation which may have significant influence on tax consequences of the Group should be mentioned, including the following:

- Transfer pricing ("TP") rules which came into force starting 1 January 2012. In accordance with these rules the tax authorities have right to define market level of prices for controlled transactions (i.e. transactions controlled under TP rules) and make profit tax exposures in correspondence with defined market level of prices. In case the taxpayer will not defend its position in respect to applied level of prices for controlled transactions on the basis of special TP documentation (or without such documentation) the tax authorities may calculate corresponding exposures;
- New deoffshorization rules which came into force starting 1 January 2015. In accordance with these rules the Russian tax authorities have right to challenge application of the double tax treaty benefits (beneficial ownership concept) and define foreign companies as the Russian tax residents if these companies are effectively managed from Russia. These amendments as well as the introduction of taxation of controlled foreign companies and the concept of taxation of capital gains from indirect sale of property-rich companies may have significant negative impact on interpretation of different transactions performed by the Group.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities.

(in thousands of US dollars)

19. Contingencies, commitments and operating risks (continued)

Taxation (continued)

The Group estimated that as of 30 June 2015 it had possible obligations from exposures to various tax risks primarily related to financing and investment arrangements of the Group's companies. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and its practical application in Russian Federation. In some instances, court practice, which was previously positive for the taxpayers, has changed to negative.

Uncertainties in interpretation of applicable legislation and its practical application in Russian Federation may also lead to possible non-recoverability of certain tax assets. Russian members of our Group may be affected by this development of tax practice, which could have a significant effect on the Group's financial condition and results of operations.

Insurance policies

The Group holds insurance policies in relation to its assets, covering a number of cases such as accidents, fire, wrongful anctions, force majeure, etc., as well as insurance policies covering vehicles and voluntary medical insurance of employees of the Group's entities.

Contractual commitments

The Group had signed a number of contracts for the construction works as of 30 June 2015. The Group had firm contractual commitments for the construction works for an approximate amount of $170,286 as at 30 June 2015 (31 December 2014: $209,281).

However, many of the contracts provide for payments stage wise basing on specifically agreed cost of stages. It is not practicable to measure the amount of these purchase commitments, though they constitute significant amount and concern most of the construction and investment projects of the Group.

Legal proceedings

The Group is involved in a number of legal proceedings. All legal proceedings which individually or in aggregate, may have a significant effect on the Group's financial operations or financial position have been accrued in these consolidated financial statements (Note 17).

Besides the mentioned above the Group is involved in a legal proceedings the possible risk of which is amounted to $212 and $215 as at 30 June 2015 and 31 December 2014.

Guarantees

In 2011 the entity under common control outside of the Group received loan facility from Bank for Development and Foreign Economic Affairs (Vnesheconombank). The loan matures in 2018. In connection with this loan, in April 2013 the Group provided guarantee with maximum amount of up to 2,4 billion rubles for the loan facility. Simultaneously with the conclusion of the guarantee, the Group received (as a beneficiary) a counter-guarantee, which indemnifies the Group of any possible negative cash outflows, which may occur under the guarantee agreement. The counter guarantee is issued by the parent company of the Group. The abovementioned entity has significant assets, sources of income and cash flows sufficient to fulfill such an obligation. In June 2015 the maximum amount of quarentee provided was reduced up to 1,5 billion rubles for the loan facility.

Management of the Group concluded that the risk of negative cash outflows under the above guarantee is remote. As of 30 June 2015 and 31 December 2014, carrying value of the guarantee issued recognised as a part of other liabilities in amount of $270 and $344 respectively (Notes 14, 16).

20. Fair value of financial instruments

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values: long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables.

(in thousands of US dollars)

20. Fair value of financial instruments (continued)

Fair value of the bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The following table shows financial instruments which carrying amounts differ from fair values as at:

	30 June 2015		*31 December 2014*	
	Carrying amount	***Fair value***	***Carrying amount***	***Fair value***
Assets				
Interest-bearing loans receivable	7,660	6,870	24,052	21,300
Total assets	**7,660**	**6,870**	**24,052**	**21,300**
Liabilities				
Interest-bearing loans and borrowings	107,702	100,929	74,860	67,926
Debts securities issued	100,463	100,283	99,306	96,128
Other liabilities	–	–	14,789	14,218
Total liabilities	**208,165**	**201,212**	**188,955**	**178,272**

The fair value of long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the market rates of interest at the reporting dates. The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	*30 June 2015*	*31 December 2014*
Current financial liabilities and assets		
USD	6.2%	2.97%
EUR	7.05%	5.36%
RUR	14.56%	14.56%
Non-current financial liabilities and assets		
USD	9.3%	6.71%
RUR	13.32%	13.32%

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(in thousands of US dollars)

20. Fair value of financial instruments (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no transfers between Level 1 and Level 2 during the period.

Fair value hierarchy for financial instruments measured at fair value as at 30 June 2015:

	Total	*Level 1*	*Level 2*	*Level 3*
Financial assets measured at fair value				
Investment property	**269,827**	–	–	269,827
Financial assets for which fair value is disclosed				
Interest-bearing loans receivable	**6,870**	–	–	6,870
Financial liabilities for which fair value is disclosed				
Interest-bearing loans and borrowings	**100,929**	–	–	100,929
Debts securities issued	**100,283**	–	100,283	–
Other liabilities	**–**	–	–	–

Fair value hierarchy for financial instruments measured at fair value as at 31 December 2014:

	Total	*Level 1*	*Level 2*	*Level 3*
Financial assets measured at fair value				
Investment property	**295,549**	–	–	295,549
Financial assets for which fair value is disclosed				
Interest-bearing loans receivable	**21,300**	–	–	21,300
Financial liabilities for which fair value is disclosed				
Interest-bearing loans and borrowings	**67,926**	–	–	67,926
Debts securities issued	**96,128**	–	96,128	–
Other liabilities	**14,218**	–	–	14,218

21. Segment information

For management purposes, the Group is organized into business units based on construction projects. All business units are located in Russian Federation. Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment revenue is income from main activity reported in the Group's management accounts that are directly attributable to a segment being consideration received from customers for sale of residential or commercial property being under construction, or for operating rent of premises and rendering of services.

Segment expense is expenses reported in the Group's management accounts that are directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment.

Segment result is segment revenue less segment expense for the reporting period.

(in thousands of US dollars)

21. Segment information (continued)

The following tables present measures of segment revenues and segment results on management accounts in accordance with IFRS 8 and a reconciliation of revenue and segment result used by management for decision making and revenue and net result per the consolidated financial statements prepared under IFRS:

The six months ended 30 June 2015

	DPS	*Akademic city*	*Engineering infrastructure*	*Yaroslavl*	*Aristovo*	*Perm*	*Schelkovo*	*Shcherbinka*	*Krasnodar*	*Management company*	*Total*
External segment revenue	126,614	40,461	2,938	12,281	26,299	–	19,546	538	14	54	228,745
Intersegment revenue	–	38	263	–	–	–	–	–	–	–	301
Total segment revenue	126,614	40,499	3,201	12,281	26,299	–	19,546	538	14	54	229,046

	DPS	*Akademic city*	*Engineering infrastructure*	*Yaroslavl*	*Aristovo*	*Perm*	*Schelkovo*	*Shcherbinka*	*Krasnodar*	*Management company*	*Total*
External segment operating profit/(loss)	8,842	5,418	(827)	3,031	14,837	(289)	6,945	(963)	(77)	(9,136)	27,781
Intersegment operations	–	(1,585)	798	–	–	–	–	–	–	–	(787)
Total segment operating profit/(loss)	8,842	3,833	(29)	3,031	14,837	(289)	6,945	(963)	(77)	(9,136)	26,994

The six months ended 30 June 2014

	DPS	*Akademic city*	*Engineering infrastructure*	*Yaroslavl*	*Aristovo*	*Perm*	*Schelkovo*	*Shcherbinka*	*Krasnodar*	*Management company*	*Total*
External segment revenue	1,079	148,218	8,040	3,152	–	11,648	16,352	44,369	1,903	2	234,763
Intersegment revenue	–	104	7,074	–	–	–	–	–	–	–	7,178
Total segment revenue	1,079	148,322	15,114	3,152	–	11,648	16,352	44,369	1,903	2	241,941

	DPS	*Akademic city*	*Engineering infrastructure*	*Yaroslavl*	*Aristovo*	*Perm*	*Schelkovo*	*Shcherbinka*	*Krasnodar*	*Management company*	*Total*
External segment operating profit/(loss)	(544)	45,518	(2,994)	43	(25)	1,328	6,422	11,182	(7,133)	(18,408)	35,389
Intersegment operations	–	(9,716)	5,179	–	–	–	–	–	–	–	(4,537)
Total segment operating profit/(loss)	(544)	35,802	2,185	43	(25)	1,328	6,422	11,182	(7,133)	(18,408)	30,852

Finance income and expenses, fair value gains and losses on financial assets, forex exchange gains/(losses) are not allocated to individual segments as the underlying instruments are managed on a group basis.

(in thousands of US dollars)

21. Segment information (continued)

Reconciliation of segments' results to net profit

	For the six months ended 30 June	
	2015	*2014*
Revenue reconciliation		
Total revenue from reportable segment	229,046	241,941
Elimination of intersegment revenue	(301)	(7,178)
Revenue from all other segments	7,176	12,567
Total group revenue	**235,921**	**247,330**
Operating profit reconciliation		
Total operating profit from reportable segment	26,994	30,852
Elimination of intersegment operations	787	4,537
Operating (loss)/profit from non-reportable segments	(4,673)	4,258
Change in fair value of investment property	6,663	(15,559)
Total group operating profit	**29,771**	**24,088**
Finance income	4,841	7,502
Finance costs	(5,908)	(15,317)
Foreign exchange (losses)/gain, net	(602)	78
Share of profits of associates	40	13,060
Impairment of goodwill	–	(9,829)
Profit before income tax	**28,142**	**19,582**
Income tax expense	(7,608)	(11,013)
Net profit for the period	**20,534**	**8,569**

The main differences between revenue and operating profit under IFRS and management accounts are represented by deferred revenue recognized at fair value of apartments transferred to individuals (Note 5), different amount of inventories write-down to net realizable value (Note 5, 10) and other provisions, accrued under IFRS.

22. Subsequent events

On 20 August 2015 the Group purchased investment in project located in Perhushkovo area of Moscow region. The Group considers this transaction as a purchase of assets. Purchase consideration included payment of cash in the amount of $1,000 and part of future transfer of part of constructed property.

On 22 September 2015 LLC "RSG-Finance" placed its fourth issue of bonds, with a total par value of $54,031 (at the exchange rate of 30 June 2015) mature on 21 March 2017. The coupon rate, payable semi-annually, was set at 15% per annum.

In July-September 2015, the Group received loans in total amount of $81,632 (at the exchange rate at 30 June 2015) with interest rate from 10 % to 21 %.

In July-September 2015, the Group partially settled obligations under existing credit facilities in the total amount of $52,547 (at the exchange rate at 30 June 2015).