KVINTESS F&DI HOLDINGS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Contents

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management is responsible for the preparation and the fair presentation of the financial statements of Kvintess F&DI Holdings Corp. ("the Company") and its subsidiaries ("the Group"). They have been prepared in accordance with International Financial Reporting Standards ("IFRS") and necessarily include amounts based on judgements and estimates by Management.

The Group maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorisation and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Group's administrative procedures and internal reporting requirements operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statements preparation.

Signed on behalf of the Board of Directors

Rufat Abyasov, CEO

Consolidated Statement of Financial Position
as at December 31, 2014
(Expressed in U.S. Dollars unless otherwise stated)

	Notes	December 31, 2014	December 31, 2013
ASSETS			
Non-current assets			
Fixtures and fittings	**6**	1,526	1,841
Investment property	**7**	493,004	1,027,370
		494,530	**1,029,211**
Current assets			
Short-term investments		–	14,157
Trade receivables	**8**	19,553	–
Loans issued	**9**	54,907	45,527
Other Receivables	**10**	29,176	39,201
Cash and cash equivalents	**11**	17,032	25,341
		120,668	**124,226**
Total assets		**615,198**	**1,153,437**
EQUITY AND LIABILITIES			
Equity			
Share capital	**12**	6,000	6,000
Shareholders' contribution		640	640
Share Premium	**13**	903,829	–
Translation reserve		182,341	2,024
Retained losses		(579,475)	(106,678)
Total equity		**513,335**	**(98,014)**
Non-current liabilities			
Loans payable	**15**	**–**	**54,997**
Current liabilities			
Loans payable	**15**	47,993	367,044
Trade and other payables	**16**	53,870	829,410
		101,863	**1,196,454**
Total equity and liabilities		**615,198**	**1,153,437**

Approved and authorised for issue by the Board of Directors on and signed on its behalf by:

Rufat Abyasov

CEO

Consolidated Statement of Comprehensive Income
for the year ended December 31, 2014
(Expressed in U.S. Dollars unless otherwise stated)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
Revenues	**17**	151,804	–
Cost of Sales	**18**	(146,364)	–
Gross profit		**5,440**	**–**
Selling, general and administrative expenses	**19**	(326,395)	(71,301)
Impairment of investment property	**7**	(95,055)	–
Impairment of loans issued	**9**	(15,743)	–
Interest expense		(53,311)	(35,325)
Foreign exchange loss		(4,929)	(52)
Other income	**20**	17,196	–
Total operating expenses		**(478,237)**	**(106,678)**
Loss before tax		**(472,797)**	**(106,678)**
Taxation	**14**	–	–
Profit for the year		**(472,797)**	**(106,678)**
Other comprehensive income			
Exchange differences on translation of foreign operations		180,317	2,024
Total comprehensive income for the year		**(292,480)**	**(104,654)**

Consolidated Statement of Changes in Equity
for the year ended December 31, 2014
(Expressed in U.S. Dollars unless otherwise stated)

	Share capital	Additional paid in Capital	Share premium	Retained earnings	Transla-tion reserve	Total equity
Balance, October 16, 2013 (Inception)	**–**	**–**	**–**	**–**	**–**	**–**
Shares issued to founders for services	6,000	–	–	–	–	6,000
Contribution of capital from shareholders	–	640	–	–	–	640
Foreign currency translation adjustment	–	–	–	–	2,024	2,024
Net loss for the year	–	–	–	(106,678)	–	(106,678)
At December 31, 2013	**6,000**	**640**	**–**	**(106,678)**	**2,024**	**(98,014)**
Increase in share premium (note 13)	–	–	903,829	–	–	903,829
Foreign currency translation adjustment	–	–	–	–	180,317	180,317
Net loss for the year	–	–	–	(472,797)	–	(472,797)
At December 31, 2014	**6,000**	**640**	**903,829**	**(579,475)**	**182,341**	**513,335**

KVINTESS F&DI HOLDINGS CORP.

Consolidated Statement of Cash Flow
for the year ended December 31, 2014
(Expressed in U.S. Dollars unless otherwise stated)

	Notes	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows from operating activities			
Operational loss before taxation		**(472,797)**	**(106,678)**
Adjusted for:			
Depreciation		1,004	180
Loss on securities trading		10,139	–
Impairment of receivables and loans issued		15,743	–
Foreign Exchange loss		4,929	–
Impairment of land held for development		95,055	–
Interest expense		53,311	–
Interest income		(1,653)	–
Non-cash compensation		–	6,000
Operating loss before working capital changes		**(294,269)**	**(100,498)**
(Increase)/Decrease in current assets:			
Notes receivable		–	(19,191)
Receivables		(27,687)	(57,568)
Prepaid expenses and other current assets		(13,943)	(7,969)
Increase / (decrease) in current liabilities:			
Accounts payable and accrued expenses		(134,626)	89,367
		(470,525)	**(95,859)**
Profit tax paid		–	–
Interest paid		–	–
Net cash paid out from operating activities		**(470,525)**	**(95,859)**
Cash flow from investing activities			
Purchase of equipment		(1,665)	(2,661)
Net proceeds from sale of investments		1,864	–
Short-term investments		–	(14,157)
Proceeds from sale of Investment property		145,431	–
Purchase of Investment property		(24,972)	(273,653)
Net cash used from investing activities		**120,658**	**(290,471)**
Cash flow from financing activities			
Contribution from shareholders		–	640
Cash received from sales of own shares		185,206	–
Repayment of loans issued		64,262	–
Loans issued		(110,374)	–
Proceeds from loans received		317,408	607,975
Loans repaid		(104,463)	(185,934)
Net cash received from financing activities		**352,039**	**422,681**
Foreign exchange gain on bank accounts		1,166	–
Effect of foreign currency on cash and cash equivalents		(11,647)	(11,010)
Net increase in cash and cash equivalents for the year		(8,309)	25,341
Cash and cash equivalents - Beginning of the period		25,341	–
Cash and cash equivalents at December 31	**11**	**17,032**	**25,341**

As disclosed in the note 13 to these consolidated financial statements there was a number of transactions performed not on cash or cash equivalents basis.

1. General information

These consolidated financial statements present the results and financial position of Kvintess F&DI Holdings Corp. (The "Company" or "Kvintess") and its subsidiary Kvintess Finance Ltd ("the Group").

The Company was incorporated under the laws of Delaware on October 16, 2013. Pursuant to an Equity Exchange Agreement, dated as of December 13, 2013, the Company, through its majority shareholder, acquired all of the outstanding shares of Kvintess Finance Ltd ("Kvintess Finance", "Subsidiary"), a company incorporated under the laws of the Russian Federation, in exchange for 125,350,815 of the Company's common stock. The acquisition of Kvintess Finance was completed on December 13, 2013.

Kvintess Finance (formerly Shibrend Trade House Ltd) was established in December 2011, in Kazan, Russia. However, operations did not begin until 2013, therefore there are no financial statements available for 2012. The name was changed to Kvintess Finance Ltd in April 2013. Through the Kvintess Finance group of companies, the Company is engaged in real estate operations in Tatarstan, Russia serving a diverse range of residential and commercial clients.

The share exchange is accounted for as a transaction between entities under common control since Mr. Andrei Isaev owns more than 50% of Kvintess Finance Ltd and Mrs. Guzel Gabdraskhmanova owns more than 50% Kvintess F&DI Holdings Corp. Mr. Isaev and Mrs. Gabdraskhmanova are husband and wife. As such, assets and liabilities are carried over at their respective net book values at the date of acquisition and results of operations of Kvintess Finance are retroactively presented in the consolidated statement of operations and comprehensive loss.

2. Significant accounting policies

a) Basis of preparation

The accompanying financial statements have been prepared in order to present the financial position and the results of operations of the Group in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations ("SIC") approved by the International Accounting Standards Committee that remain in effect.

The consolidated financial statements have been prepared under the historical cost basis. The following are the significant accounting policies which were used in preparing these financial statements. These accounting policies have been consistently applied to all reporting periods presented.

b) Functional currency and presentation currency

Management believes the functional currency for the Russian subsidiary to be the Russian Ruble ("RUB") as the majority of its revenue and expenditure is derived in or originated from Russia. For the holding company based in Delaware, US Dollar is their functional currency as most of the transactions performed by the Company are denominated in USD.

The consolidated financial statements are presented in United States Dollars ("USD") as the Holding Company's operating and reporting currency.

c) Basis of consolidation

The consolidated financial information incorporates the financial statements of the parent company and the entity under its control from the date that control effectively commences until the date that control effectively ceases. Control exists when the parent has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if fact and circumstances indicate that there are changes to one or more of the three elements of control mentioned above.

(Expressed in U.S. Dollars unless otherwise stated)

2. Significant accounting policies (Continued)

c) Basis of consolidation (continued)

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any discount of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the income statement in the period of acquisition. The non-controlling interest is stated at the non-controlling entities' proportion of the fair values of the assets and liabilities recognised. Subsequently, total comprehensive income is allocated to the non-controlling interest to the extent it is applicable to the non-controlling interest.

In translating the financial statements of a subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") as follows:

- assets and liabilities, both monetary and non-monetary, of the entity are translated at closing rate;
- income and expense items of the entity are translated at the average exchange rate for the period;
- all resulting exchange differences are recognised in other comprehensive income.

All intra-group balances, transactions, and any unrealised profits or losses arising from intra-group transactions, are eliminated on consolidation.

The following significant accounting policies have been applied consistently in the preparation of the financial statements:

d) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into RUB at the appropriate spot rates of exchange ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Foreign exchange gains resulting from the settlement of such transactions and the restatement of monetary items at the reporting date are recognised in the income statement.

The exchange rates used for translating foreign currencies to Russian Ruble are as follows:

	2014	**2013**
RUB to one USD		
At 1 January	32.73	30.37
At 31 December	56.26	32.73
Average for the year	38.60	31.91

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks which are readily convertible to cash and have an original maturity of three months or less.

f) Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk using foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2. Significant accounting policies (Continued)

f) Financial Instruments (continued)

i. Financial Assets

Financial assets of the Group are classified into the two following categories: Available-For-Sale (AFS) financial assets and Loans and Receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and unrecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

ii. Loans and receivables

Trade receivables are stated initially at fair value with subsequent allowance for impairment losses.

An allowance for impairment of accounts receivable is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, discounted at the financial asset's original effective interest rate computed at the date of origination of the receivable.

Loans are stated at amortised cost, net of allowances for impairment. Amortised cost is calculated as the amount outstanding after amortisation of the premium or discount over fair value arising at initial recognition using the effective interest method.

iii. Impairment of financial assets

At each reporting date management assesses whether there is any indication that the recoverable value of the Group's financial assets has declined below the carrying value. When such a decline is identified, the carrying amount is reduced to the estimated recoverable amount. The amount of the reduction is recorded in the consolidated income statement in the period in which the reduction is identified. An impairment loss recognised in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

iv. Financial liabilities

A financial liability is any liability that is:

- a contractual obligation:
    - to deliver cash or another financial asset; or
    - to exchange financial assets or financial liabilities under conditions that are potentially unfavourable; or
- a contract that will or may be settled in equity instruments and is
    - a non-derivative for which The Group is or may be obliged to deliver a variable number of equity instruments or
    - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include: instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments; puttable instruments classified as equity or certain liabilities arising on liquidation classified by IAS 32 as equity instruments.

All the financial liabilities of the Group are classified as other financial liabilities including borrowings and trade and other payables

(Expressed in U.S. Dollars unless otherwise stated)

2. Significant accounting policies (Continued)

f) Financial Instruments (continued)

v. Borrowings and borrowing costs

Borrowings are recognised initially at the fair value of the proceeds received which is determined using the prevailing market rate of interest for a similar instrument, if significantly different from the transaction price, net of transaction costs incurred. In subsequent periods borrowings are recognised at amortised cost, using the effective yield method; any difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as an interest expense over the period of the borrowings.

Borrowing cost incurred are charged to the income statement in the period incurred.

vi. Trade and other payables and accrued liabilities

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method. Accounts payable are stated inclusive of value added taxes.

g) Fixtures and fittings

All the fixtures and fittings of the Group are carried at historical cost less accumulated depreciation and any impairment. An impairment of the carrying amount is recognised in the profit or loss

Depreciation of fixtures and fittings is charged on the carrying value of the equipment and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the rates of 3 to 5 years.

Any gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

h) Taxation

Income tax expense represents the sum of current and deferred tax expense. The current tax expense is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s current tax expense is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Taxes are calculated in accordance with taxation principles currently effective in the United States of America and Russian Federation, depending on the country of Registration.

The Company also follows the guidance related to accounting for income tax uncertainties. In accounting for uncertainty in income taxes, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company’s policy is to recognize interest and penalties related to uncertain tax positions as a component of the current provision for income taxes. The Company does not have any liability for unrecognized tax benefits as of December 31, 2014.

A summary of tax arrangement in relation to the Group companies are presented below:

Subsidiary	Country of domicile	Subject of income tax	Tax rates effective during the year ended December 31,	
			2014	2013
Kvintess F&DI Holdings Corp.	Delaware, USA	Taxable profit	8.7%	8.7%
Kvintess Finance	Russia	Taxable profit	20.0%	20.0%

2. Significant accounting policies (Continued)

i) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

j) Investment property (Land and Property held for resale)

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held for capital appreciation purposes are accounted for as investment properties and are measured using the historical cost method with adjustment for any impairment. Impairment losses arising on investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

k) Revenue recognition

Revenue in respect of sales of land and property held for resale is shown net of value added tax (where applicable) and any discounts, and is recognised when title is passed to the customer, which is generally when the title of ownership is delivered to the customer. All of the Group's sales incurred in the year were not subject to VAT.

l) Interest income and expense

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable.

Interest income and expense are recognised in the consolidated statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective yield method. When loans become doubtful for collection, they are written down to their recoverable amounts (using the original effective rate) and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

m) Retirement and other benefit obligations

In accordance with the requirements of Russian legislation, the Group withholds amounts of pension contributions from employee salaries and pays them to the state pension fund. Such expenses are charged in the period the related salaries are earned. The Group does not have any pension arrangements separate from the State pension system of the Russian Federation. The Group has no other post-retirement benefits or other significant compensated benefits requiring accrual.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

a) Critical judgements in applying accounting policies

There was no critical judgement that the directors have made in the process of applying the Group's accounting policies and that might have significant effect on the amounts recognised in the consolidated financial statements.

b) Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of Property and Land held for capital appreciation (Investment Property)

The Company reviews Land and Property for potential impairment whenever significant events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment exists when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. If impairment exists, the resulting write-down would be the difference between fair market value of the long-lived asset and the related net book value. The Company has determined that there is no impairment of its long-lived assets as of December 31, 2014.

Impairment of loans and receivables

The Group reviews all its receivables to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from an asset. Management uses estimates to determine both the amount and timing of future cash flows.

(Expressed in U.S. Dollars unless otherwise stated)

4. First-time adoption of IFRS

These financial statements, for the year ended December 31, 2014, are the first the Group has prepared in accordance with IFRS. For the year ended December 31, 2013, the first year of Group's operating activity, financial statements for previous periods were prepared in accordance with US generally accepted accounting practice (US GAAP). Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after December 31, 2014, together with the comparative period data as at and for the year ended December 31, 2013, as described in the accounting policies. In preparing these consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2013, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP statement of financial position as at 1 January 2013 and its previously published Local GAAP financial statements as at and for the year ended December 31, 2013.

Group reconciliation of equity as at 1 January 2014:

Statement of Financial Position

	US GAAP Dec 31, 2013	Adj # 1	Adj # 2	IFRS Dec 31, 2013
ASSETS				
Non-current assets				
Fixtures and fittings	2,481	(640)	–	1,841
Land held for development	1,013,696	13,674	–	1,027,370
	1,016,177	**13,034**	**–**	**1,029,211**
Current assets				
Short-term investments	14,157	–	–	14,157
Notes receivable	19,191	–	26,336	45,527
Receivable - related parties	42,198	–	(42,198)	–
Receivable - employees	15,370	–	(15,370)	–
Prepaid expenses and other current assets	7,969	–	31,232	39,201
Cash and cash equivalents	25,341	–		25,341
	124,226	**–**	**–**	**124,226**
Total assets	**1,140,403**	**13,034**	**–**	**1,153,437**
EQUITY AND LIABILITIES				
Equity				
Share capital	6,000	–	–	6,000
Additional paid-in-capital	640	–	–	640
Translation reserve	(11,010)	13,034	–	2,024
Current year	(106,678)	–	–	(106,678)
Total equity	**(111,048)**	**13,034**	**–**	**(98,014)**
Non-current liabilities				
Loans payable	**54,997**	**–**	**–**	**54,997**
Current liabilities				
Accounts payable and accrued expenses	89,367	–	740,043	829,410
Loans payable	–	–	367,044	367,044
Accounts payable - related parties	740,043	–	(740,043)	–
Short-term debt - third parties	307,602	–	(307,602)	–
Short-term debt - related parties	59,442	–	(59,442)	–
	1,196,454	**–**	**–**	**1,196,454**
Total equity and liabilities	**1,140,403**	**13,034**	–	**1,153,437**

(Expressed in U.S. Dollars unless otherwise stated)

4. **First-time adoption of IFRS (Continued)**

Adjustment 1 – Remeasurements:

IAS 21 requires all assets and liabilities to be recorded at the closing exchange rates if functional currency of an entity differs from its presentation currency. Under US GAAP Fixtures and fittings as well as Land and Property held for capital appreciation were recorded at historical rate.

Adjustment 2 – Reclassifications:

Representation reclassification adjustments being made to improve understanding of the Financials. In the Financial Statements prepared in accordance with US GAAP Receivables were classified on the basis of relationships with counterparties, under IFRS 9 the classification in the current financial statements is based on the business model within which balances are held considering their contractual cash flow characteristics. Balances held with related parties were disclosed in separate note (see Note 21).

Group reconciliation of total comprehensive income for the year ended December 31, 2013:

Statement of Comprehensive Income

	US GAAP Year ended Dec 31, 2013	**Adj 3**	**Adj 4**	**IFRS Year ended Dec 31, 2013**
Revenues	–	–	–	–
Cost of Sales	–	–	–	–
Gross profit	–	–	–	–
Selling, general and administrative expenses	(71,353)	–	52	(71,301)
Interest expense	(35,325)	–	–	(35,325)
Foreign Exchange loss	–	–	(52)	(52)
Other income	–	–	–	–
Total operating expenses	**(106,678)**	**–**	–	**(106,678)**
Profit before tax				
Tax expense	–	–	–	–
Profit for the year	**(106,678)**	**–**	–	**(106,678)**
Other comprehensive income				
Exchange differences on translation of foreign operations	**(11,010)**	**13,034**	**–**	**2,024**
Total comprehensive income for the year				

Adjustment 3 – Remeasurements

The adjustments represent effect of the remeasurement of the assets as explained in the Adjustment 1 in the note above.

Adjustment 4 – Reclassifications

Loss on foreign exchange differences was shown in a separate line on the balance sheet in order to improve presentation of figures for the year ended December 31, 2014.

Statement of cash flow

The transition from US GAAP to IFRS has not had a material impact on the statement of cash flow.

5. Adoption of new and revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 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 32 – "Offsetting Financial Assets and Financial Liabilities" (issued in December 2011 and effective for annual periods beginning on or after 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; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).

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).

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).

The amended standards did not have any material impact on the Group's consolidated financial statements.

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVTPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a "three stage" approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

5. Adoption of new and revised Standards and Interpretations (Continued)

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

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The Group is not expecting any impact of this amendment on the consolidated financial statements.

Annual Improvements to IFRSs (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to seven standards to IFRS 2012 and four to IFRS 2013.

- **IFRS 3 – "Business Combination"** was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit or loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
- **IAS 24 – "Related Parties Disclosures"** was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ("the management entity"), and to require disclosing the amounts charged to the reporting entity by the management entity for services provided.
- **IAS 16 – "Property, Plant and Equipment"** and **IAS 38 – "Intangible Assets"** were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- **IFRS 13 – "Fair Value"** clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

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

The following changes will not have an impact on the financial statements of the Group:

- IFRS 2 – "Share Based Payments"
- IFRS 8 – "Operating Segments"
- IFRS 13 – "Fair Value"
- IFRS 1 – "First Time Adoption of IFRS"
- IFRS 3 – "Business Combination"
- IAS 40 – "Investment Property"

IFRS 14 "Regulatory Deferral Accounts" (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the 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).

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are not expected to have any impact on the Group's consolidated financial statements.

5. Adoption of new and revised Standards and Interpretations (Continued)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards.

- IFRS 5 – "Non-Current Assets held for Sale and Discontinued Operations"
- IFRS 7 – "Financial Instruments: Disclosures"
- IAS 19 – "Employee Benefits"
- IAS 34 – "Interim Financial Reporting"

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

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

(Expressed in U.S. Dollars unless otherwise stated)

6. Fixtures and fittings

Category of fixtures and fittings in represented only by office equipment

	Total
COST / VALUATION	
At December 31, 2012	–
Additions	2,074
Translation difference	(53)
At December 31, 2013	**2,021**
Additions	1,665
Translation difference	(1,367)
Disposals	–
At December 31, 2014	**2,319**
At December 31, 2012	–
Charge for the year	180
Translation difference	–
At December 31, 2013	**180**
Charge for the year	1,004
Release on disposals	
Translation difference	(391)
At December 31, 2014	**793**
Net book values	
At December 31, 2014	**1,526**
At December 31, 2013	**1,841**

7. Investment property

	Total
COST / VALUATION	
At December 31, 2012	–
Additions	1,055,399
Translation difference	(28,029)
At December 31, 2013	**1,027,370**
Additions	88,854
Translation difference	(381,801)
Impairment	(95,055)
Disposals	(146,364)
At December 31, 2014	**493,004**

During the year the Group has recognised an impairment loss on land held for sale. Impairment was recognised based on the independent valuation report. Valuation report was prepared by a local firm and it’s based on the comparative information of the similar transactions performed in the period close to year end.

(Expressed in U.S. Dollars unless otherwise stated)

8. Trade receivables

As at December 31, 2014 trade receivables consisted of receivables from one of the buyers of property. The amount is not overdue and not impaired.

9. Loans Issued

Loans were issued to related parties and employees of the Group with maturity from December 2015 to December 2016, interest rate varies from 6% to 10% (December 31, 2013 – all balances being short term).

During the year an impairment provision was created against a number of Rouble denominated loans issued. Total amount recognised as an expense in the year amounted to USD 15,743 being an equivalent of (RUB 381,100). Year end balance of the provision amounts to USD 6,774 with the difference being recognised in the currency translation reserve.

10. Other receivables

	December 31, 2014	December 31, 2013
Prepayments for land	17,615	7,536
Prepayments for services	5,333	7,969
Accrued interest income	1,134	23,696
Settlements with employees	5,094	–
	29,176	**39,201**

11. Cash and cash equivalents

As at December 31, 2014 and December 31, 2013 cash and cash equivalents comprise of cash in banks only. All balances at each reporting date were current and not impaired. Bank balances being held with just one bank ranked under Fitch as AA+ (rus).

12. Share capital

Capital of the group authorized for issue consists of 710,000,000 shares, of which 700,000,000 shares are common stock, par value USD 0,00001 per share and 10,000,000 shares are preferred stock, par value USD 0.00001. As at December 31, 2014 and December 31, 2013, the share capital of the Company is composed by 600,000,000 issued equally ranked ordinary shares amounting to USD 6,000 on the face of the statement of financial position.

As at December 31, 2014 and December 31, 2013, the shareholders of the Company were as follows:

	December 31, 2014		December 31, 2013	
	Number of shares	%	Number of shares	%
Andrei Alekseevich Isaev	439,556,901	73.26%	439,556,901	73.26%
Guzel Adipovna Gabdrahmova	59,910,230	9.99%	59,910,230	9.99%
Rufat Ravileivich Abiasov	56,462,793	9.41%	56,462,793	9.41%
Ekaterina Dmitrievna Prokofeva	27,010,000	4.50%	27,010,000	4.50%
Iurii Germanovich Postnov	6,000,000	1.00%	6,000,000	1.00%
Almaz Niyazovich Nurtdinov	5,950,000	0.99%	5,950,000	0.99%
Other shareholders	5,110,076	0.85%	5,110,076	0.85%
	600,000,000	**100.00%**	**600,000,000**	**100.00%**

12. Share capital (Continued)

No dividends were declared during the financial years ended December 31, 2014 and December 31, 2013.

As at the end of the year two individuals were holding 30 million of the Company's shares on behalf of the Group.

Common Stock

Holders of shares of common stock are entitled to one vote for each share on all matters to be voted on by the stockholders. Holders of common stock do not have cumulative voting rights. Holders of common stock are entitled to share ratably in dividends, if any, as may be declared from time to time by the Board of Directors in its discretion from funds legally available therefore. In the event of a liquidation, dissolution or winding up of the Company, the holders of common stock are entitled to share pro rata all assets remaining after payment in full of all liabilities. All of the outstanding shares of common stock are fully paid and non-assessable. Holders of common stock have no preemptive rights to purchase our common stock. There are no conversion or redemption rights or sinking fund provisions with respect to the common stock.

The Board of Directors does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or stock exchange rules.

Preferred Stock

The Board of Directors has the authority to issue up to 10,000,000 shares of preferred stock and to fix the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future.

No shares of preferred stock are outstanding as at 31 December 2014.

13. Share premium

Share premium formed in 2014 was composed by both: cash as well as non-cash transactions. Non cash transactions included exchange of Company's shares for loans previously received from individuals in the amount of 341,534 USD (an equivalent of 19,214,154 RUB), exchange of shares for creditors balances in the amount of 353,725 USD (an equivalent of 19,900,000 RUB) and payment by shares for services received in the amount of 43,194 USD (an equivalent of 2,430,000 RUB). Total value of non-cash transactions amounted to 738,453 USD.

All share purchase agreements incurred in the year were performed at prices significantly higher to its face value. All excess of the amount paid or exchanged for over nominal value face value of shares were credited to equity as share premium.

14. Taxation

During the year, the Group has generated net loss (2013: net loss) in both – US and Russian jurisdictions, correspondingly, there are no corporate tax payable was accrued in the year.

The Group has not recognised a deferred tax asset in the amount of 45,443 on tax losses incurred due to uncertainties of future profits and ability to utilise accumulated tax losses.

(Expressed in U.S. Dollars unless otherwise stated)

15. Loans payable

As at December 31, 2014 loans payable are represented by unsecured borrowings provided by individuals. All loans are fixed interest rates which range from 31% to 33%, however a number of loans were received interest free. Weighted average rate is 32% as at the end of the year all loans were short term. Maturity analysis of long term borrowings is provided below:

	December 31, 2014	December 31, 2013
Falling due in:		
Within one year	47,993	367,044
Within two to five years	–	54,997
After five years	–	–
	47,993	**422,041**

16. Trade and other payables

	December 31, 2014	December 31, 2013
Interest accrued	11,140	23,695
Non income taxes payable	1,472	4,007
Trade payables	11,598	801,708
Settlements with staff	25,660	–
Other accruals	4,000	–
	53,870	**829,410**

17. Revenue

Revenue is represented by income received from sales of two plots of land and an apartment. During 2013 there were no sales made by the Group.

18. Cost of sales

Cost of sales are represented by the carrying value of the two plots of land and a flat disposed in the year.

19. Selling, general and administrative expenses

	Year ended December 31, 2014	Year ended December 31, 2013
Consulting services	116,627	48,182
Salaries, bonuses and related tax	78,473	–
Business trips	28,536	3,467
Rent of premises	23,854	14,182
Transport expense	19,343	–
Advertising	19,266	–
Loss on securities trading	10,139	–
VAT on purchases	6,320	–
Internet site expense	9,926	–
Indirect depreciation	1,004	180
Other expense	12,907	5,290
	326,395	**71,301**

(Expressed in U.S. Dollars unless otherwise stated)

20. Other Income

	Year ended December 31, 2014	Year ended December 31, 2013
Franchising	15,543	–
Interest Income	1,653	–
	17,196	**–**

21. Related party transactions and balances

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at December 31, 2014 and December 31, 2013 and for the years then ended, entities and individuals considered to be related parties to the Group were as follows:

Related parties by category	Relationship
Shareholders	
Isaev Andrei	Owns 73.26% of Kvintess F&DI Holdings Corp. (December 31, 2013: 73.26%)
Gabdrahmanova Guzel	Owns 9.99% of Kvintess F&DI Holdings Corp., CFO and Director, wife of Isaev Andrei (December 31, 2013: 9.99%)
Abiasov Rufat	Owns 9.41% of Kvintess F&DI Holdings Corp., CEO and Director (December 31, 2013: 9.41%)
Postnov Iurii	Owns 1% of Kvintess F&DI Holdings Corp, Director (December 31, 2013: 1%)
Nurtdinov Almaz	Owned 0.99% of Kvintess F&DI Holdings Corp, Director up to January 2014.
Gavrilenkova Svetlana	Shareholder, Assistant of Director General, wife of Abiasov Rufat

Related parties by category	Relationship
Entities under common control	
OOO “Osnovnaya Companiya”	100% owned by Guzel Adipovna Gabdrahmanova
Key Management	
Batalova Natalia	Head of Department of Network Development

21. Related party transactions and balances (Continued)

Significant related party transactions and balances are as follows:

	2014	2013
Key management		
Remuneration paid	38,399	–
Shareholders		
Outstanding balance on loans received	–	66,586
Outstanding balance on loans issued	–	25,019
Accounts receivable	17,615	17,179
Payables for land	–	740,043
Settlements with staff	25,660	–
Purchase of land	–	28,252
Interest expense	34,653	21,542
Interest payable	2,763	21,000
Under Common Control		
Outstanding balance on loans issued	18,077	–

22. Commitments and contingencies

The companies of the Group have not been subject to any legal actions or complaints from third parties. No events have occurred which involve the non-compliance with laws or regulations which are central to the Group's ability to conduct its business or which would otherwise have a potentially material effect on the consolidated financial statements. Management believes that as at December 31, 2014 and December 31, 2013, the Group had no contingent liabilities that require disclosure in these consolidated financial statements.

23. Financial risk management

As an international concern, the Group is exposed to a number of financial risks. Fluctuations in foreign exchange rates, interest rates and credit risks all have an effect on the Group’s assets, liabilities, creditworthiness, liquidity, profit and loss and cash flow. Management continuously monitors these risks and reports to senior management on a regular basis.

a) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group’s exposure to currency risk is not significant. Balances of the Group represented in foreign currency were as follows: as at December 31, 2014 there was a balance in the amount of 29,660 USD payable to employees of the Group for business trips expenses incurred by Management of the Group during 2014.

b) Credit risk

One of the major risks for the Group is an impairment of assets, specifically land held for development, which is the main component of assets. All property owned by the Group is based in Russia and evaluated in Russian Rubles. Value of assets is highly dependent on the economic conditions in Russia. Starting from middle of 2014 a number of European countries imposed sanctions against a number of government enterprises, individuals and Banks. Together with downturn in the world economy and drop in oil process this has led to significant drop in Russian economy resulting in fall in demand and depreciation of Russian Ruble against hard currencies.

Cash is placed in financial institutions which are considered at the time of deposit to have a minimal risk of default.

(Expressed in U.S. Dollars unless otherwise stated)

23. Financial risk management (Continued)

c) Liquidity risk

Liquidity risk is defined as the risk that arises from the fact that the maturity of assets and liabilities does not match. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's management has a mechanism to monitor the Group's liquidity reserve (forecasts of trade receivables repayments and cash and cash equivalents).

The table below shows assets and liabilities as at the year-end by their remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

In respect of loans payable the data in the tables below does not reconcile to the discounted cash flows which form the basis of the consolidated statement of financial position at December 31, 2014 and at December 31, 2013 and IFRS 7 revised does not require such reconciliation.

	Less than 6 months	6 months to 1 year	2 to 5 years	No stated maturity	Total
December 31, 2014					
Assets					
Trade receivables	19,553	–	–	–	19,553
Loans Issued	2,196	47,736	10,304	–	60,236
Other receivables*	1,134	–	–	–	1,134
Cash and cash equivalents	17,032	–	–	–	17,032
	39,915	47,736	10,304	–	97,955
Liabilities					
Loans payable	54,633	–	–	–	54,633
Trade and other payables **	22,738	–	–	–	22,738
	77,371	–	–	–	77,371
Net liquidity (gap) / surplus	**(37,456)**	**47,736**	**10,304**	**–**	**20,584**
December 31, 2013					
Assets					
Short-term investments	14,157	–	–	–	14,157
Loans Issued	30,044	17,136	–	–	47,180
Other receivables *	23,696	–	–	–	23,696
Cash and cash equivalents	25,341	–	–	–	25,341
	93,238	17,136	–	–	110,374
Liabilities					
Loans payable	61,953	10,790	130,563	221,828	425,134
Trade and other payables**	85,360	–	–	740,043	825,403
	147,313	10,790	130,563	961,871	1,250,537
Net liquidity (gap) / surplus	**(54,075)**	**6,346**	**(130,563)**	**(961,871)**	**(1,140,163)**

* - Other receivables are shown excluding any VAT and other tax receivable, prepaid expenses and settlements with employees, as these are not financial assets.

** - Trade and Other payable are shown excluding advances received, as these are not financial liabilities.

Presently the Group does not have external sources of finance and the liquidity gap is expected to be closed by funding provided by management of the Group, its stockholders and outside investors.

d) Interest rate risk

Group largely is not financed by external sources; all loan agreements stipulate fixed rates and are not affected by market conditions so the Group is not subject to interest rate risk.

24. Country risk

United States and European Union Sanctions against Russian Federation Companies and Individuals

On March 6, 2014, President Barack Obama, in connection with Russian forces having seized control of Crimea, instituted new visa restrictions on Russian and other opponents of Ukraine's government in Kiev and authorized wider financial penalties against those involved in the military intervention or in stealing state assets. EU foreign ministers also unveiled travel bans and asset freezes. On April 28, 2014, the U.S. government levied new sanctions on Russian officials and companies with links to Putin's inner circle. The U.S. also revoked licenses for some high-tech items that could be used by the Russian military. In Brussels, the European Union moved to add more officials to its Russian sanctions list to protest Moscow's meddling in Ukraine.

On July 16, 2014 the U.S. Treasury Department imposed further penalties significantly expanding on previous U.S. sanctions, which hit Russian individuals and companies with travel bans and asset freezes. European Union leaders also ordered tougher sanctions against Russia, asking the European Investment Bank to sign no new financing agreements with Moscow. On July 16, 2014, the United States Treasury Department's Office of Foreign Assets Control ("OFAC") unveiled new Ukraine-related sanctions that added five individuals and eleven entities to OFAC's list of Specially Designated Nationals and Blocked Persons (the "SDN list"). US persons are prohibited from engaging in or facilitating virtually any commerce with any person on the SDN list, absent OFAC licensure. OFAC also established a new Sectoral Sanctions Identification list, and designated two major Russian banks and two large energy companies for immediate inclusion.

Additional sanctions were issued by the U.S. and the EU on Friday, September 12, 2014 to shut down Western aid to Russian deep water, Arctic offshore and shale oil exploration, in addition to further limits on access to American and European capital markets, making it more difficult for Russian banks to obtain any credit in foreign capitals beyond short-term loans. The EU banned travel by and froze the assets of more individuals, while the U.S. blocked the assets of five Russian state-owned defense technology firms and a Russian defense conglomerate.

According to officials of the Russian government, as reported in the Wall Street Journal on September 16, 2014, the sanctions have begun to affect the Russian real estate market and the growth rate of the Russian economy, exacerbating the effects of falling oil prices.

Recently, the recent precipitous decline in oil prices and the value of the Ruble have led to what the Economist magazine characterized in its December 20, 2014 issue as a “currency crisis” for the Ruble. In addition, new U.S. sanctions were authorized by legislation signed by the President in December 2014 targeting the Russian defense, energy and banking industries. The legislation expanded measures intended to cordon off large Russian state firms from Western financing and technology.

The impact of U.S. and EU sanctions on the Russian economy, particularly in conjunction with the decline in oil prices, is predicted to be severe and could adversely affect the viability of the Company’s real estate development plans and its future results of operations. At this time, according to the Wall Street Journal, recent data from the Federal Statistics Service RosStat showed the Russian economy moving further toward recession due to Western sanctions and the decline in the price of oil, evidenced by a decline in domestic demand and a drop in real wages.

25. Treasury shares

As at the end of the year, two individuals who are also shareholders of the company were holding together 30,000,000 ordinary shares of the Company on behalf of the Group.

26. Capital management

The Group manages its capital to ensure that it can continue to operate and expand its operations while at the same time maximising returns to equity holders. This strategy remains unchanged from prior years.

The Group is financed by loans received from individuals and related parties and not subject to any externally imposed capital requirements.

27. Fair value of financial instruments

The estimated fair value of financial assets and liabilities carried at amortised cost is estimated by discounting the future contractual cash flows expected to be received at the current market interest rate available to the Company for similar financial instruments with the same remaining maturity. Management believes that carrying values of financial assets and liabilities do not significantly differ from their fair value.

28. Subsequent events

There have been no significant events occurring subsequent to the reporting date that require disclosures in these financial statements.