Open joint stock company Melon Fashion Group

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2014

pwc

Independent Auditor's Report

To the Shareholders and Board of Directors of Open Open joint stock company Melon Fashion Group.

We have audited the accompanying consolidated financial statements of Open joint stock company Melon Fashion Group and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

31 March 2015

Moscow, Russian Federation

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	Note	31 December 2014 RUR thousand	31 December 2013 RUR thousand	31 December 2014 USD thousand	31 December 2013 USD thousand
ASSETS					
Non-current assets					
Property, plant and equipment	8	893 419	687 899	15 881	21 018
Investment property	8	17 279	-	307	-
Intangible assets	9	10 329	9 983	184	305
Deferred income tax asset	16	209 875	47 300	3 731	1 445
Trade and other receivables	11	183 000	145 183	3 253	4 436
Total non-current assets		**1 313 902**	**890 365**	**23 356**	**27 204**
Current assets					
Inventories	10	3 005 306	1 596 312	53 420	48 774
Trade and other receivables	11	647 213	503 494	11 503	15 384
Current income tax overpayment		40 807	35 241	725	1 077
Derivative Financial Instruments	25	1 111 566	9 567	19 758	292
Cash and cash equivalents	12	240 057	259 444	4 267	7 927
Total current assets		**5 044 949**	**2 404 058**	**89 673**	**73 454**
TOTAL ASSETS		**6 358 851**	**3 294 423**	**113 029**	**100 658**
EQUITY					
Equity attributable to owners of the Group					
Ordinary shares		48 128	48 146	855	1 471
Share premium		612 400	614 182	10 885	18 766
Revaluation reserve		5 723	5 723	102	175
Translation reserve		30 975	(18 881)	551	(577)
Retained earnings		835 485	791 793	14 851	24 192
TOTAL EQUITY	**14**	**1 532 711**	**1 440 963**	**27 244**	**44 027**
LIABILITIES					
Non-current liabilities					
Deferred sales		838	857	15	26
Retirement benefit obligations		1 752	1 752	31	54
Deferred income tax liability	16	334 215	92 369	5 941	2 822
Total non-current liabilities		**336 805**	**94 978**	**5 987**	**2 902**
Current liabilities					
Trade and other payables	17	3 610 946	1 570 413	64 185	47 981
Retirement benefit obligations		281	281	5	9
Dividends payables	14	1 125	1 391	20	43
Borrowings	15	737 840	1 000	13 115	31
Other current liabilities	18	139 143	185 397	2 473	5 665
Total current liabilities		**4 489 335**	**1 758 482**	**79 798**	**53 729**
TOTAL LIABILITIES		**4 826 140**	**1 853 460**	**85 785**	**56 631**
TOTAL EQUITY AND LIABILITIES		**6 358 851**	**3 294 423**	**113 029**	**100 658**

CEO ______________________ Kestutis Sasnauskas   CFO____________________Natalia Samuticheva

	Note	2014 RUR thousand	2013 RUR thousand	2014 USD thousand	2013 USD thousand
Continuing operations					
Revenue	6	11 192 024	8 966 380	292 290	280 534
Cost of sales	19	(5 223 308)	(3 691 727)	(136 340)	(115 556)
Gross profit		**5 968 716**	**5 274 653**	**155 950**	**164 978**
Distribution costs	19	(5 729 240)	(4 238 373)	(150 678)	(132 780)
General and administrative expenses	19	(406 546)	(290 544)	(10 529)	(9 104)
Other income		18 527	90	500	3
Other expenses	19	(91 217)	(75 170)	(2 373)	(2 410)
Income/(Loss) from foreign exchange difference, net	19	(615 301)	19 935	(14 826)	629
Derivative financial income	25	1 101 999	30 851	24 040	1 024
Income from sale of discontinued operation		-	153 825	-	5 048
Operating profit		**246 938**	**875 267**	**2 084**	**27 388**
Finance income		11	4 500	-	139
Finance costs		(123 111)	(44 395)	(3 167)	(1 390)
Finance loss - net	20	(123 100)	**(39 895)**	(3 167)	**(1 251)**
Profit before income tax		**123 838**	**835 372**	**(1 083)**	**26 137**
Income tax expense	21	(79 423)	(200 183)	(1 250)	(6 242)
Profit for the period from continuing operations		**44 415**	**635 189**	**(2 333)**	**19 895**
Discontinued operations					
Loss for the period from discontinued operations (attributable to equity holders of the Group)		(723)	(115 842)	(21)	(3 770)
Profit/(loss) for the period		**43 692**	**519 347**	**(2 354)**	**16 125**
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss:					
Revaluation of premises and equipment		-	59	-	1
Income tax recorded directly in other comprehensive income		-	(12)	-	-
Translation of financial information of foreign operations to presentation currency		49 856	(15 623)	1 738	(470)
Other comprehensive income/(expense) for the period net of tax		**49 856**	(15 576)	**1 738**	(469)
Total comprehensive income/(loss) for the period		**93 548**	**503 771**	**(616)**	**15 656**
Income/(loss) attributable to:					
Owners of the Group		43 692	519 347	(2 354)	16 125
Profit/(loss) for the period		**43 692**	**519 347**	**(2 354)**	**16 125**
Total comprehensive income/(loss) attributable to:					
Owners of the Group		93 548	503 771	(616)	15 656
Total comprehensive income/(loss) for the period		**93 548**	**503 771**	**(616)**	**15 656**
Total comprehensive income/(loss) attributable to shareholders arises from:					
–Continuing operations		94 271	619 613	(595)	19 426
– Discontinued operations		(723)	(115 842)	(21)	(3 770)

Earnings per share from continuing and discontinued operations attributed to the owners of the Group during the year	**2014 RUR**	**2013 RUR**	**2014 USD**	**2013 USD**
Basic earnings / (losses) per share				
From continuing operations	1 384	19 790	(73)	620
From discontinued operations	(23)	(3 609)	(1)	(117)
Earnings / (losses) per ordinary share	1 361	16 181	(74)	503

	Attributable to equity holders of the Group					
	Share capital	**Share premium**	**Revaluation reserve**	**Translation difference**	**Retained earnings**	**Total**
In RUR thousand						
Balance as of 1 January 2014	**48 146**	**614 182**	**5 723**	**(18 881)**	**791 793**	**1 440 963**
Redemption of shares	(18)	(1 782)	-	-	-	(1 800)
Total contributions by and distributions to owners of the Group	**(18)**	**(1 782)**	**-**	**-**	**-**	**(1 800)**
Comprehensive income / (loss)						
Income for the period	-	-	-	-	43 692	43 692
Translation difference	-	-	-	49 856	-	49 856
Total comprehensive income for the period	**-**	**-**	**-**	**49 856**	**43 692**	**93 548**
Balance as of 31 December 2014	**48 128**	**612 400**	**5 723**	**30 975**	**835 485**	**1 532 711**
Balance as of 1 January 2013	**48 156**	**615 012**	**5 676**	**(3 258)**	**752 433**	**1 418 019**
Comprehensive income / (loss)						
Dividends to equity holders of the company	-	-	-	-	(479 987)	(479 987)
Redemption of shares	(10)	(830)	-	-	-	(840)
Total contributions by and distributions to owners of the Group	**(10)**	**(830)**	**-**	**-**	(479 987)	**(480 827)**
Comprehensive income						
Income for the period	-	-	-	-	519 347	519 347
Other comprehensive income for the year	-	-	47	-	-	47
Translation difference	-	-	-	(15 623)	-	(15 623)
Total comprehensive income / (loss) for the period	**-**	**-**	**47**	**(15 623)**	**519 347**	**503 771**
Balance as of 31 December 2013	**48 146**	**614 182**	**5 723**	**(18 881)**	**791 793**	**1 440 963**

	Attributable to equity holders of the Group					
	Share capital	**Share premium**	**Revaluation reserve**	**Translation difference**	**Retained earnings**	**Total**
In USD thousand						
Balance as of 1 January 2014	**1 471**	**18 766**	**175**	**(577)**	**24 192**	**44 027**
Redemption of shares	(0)	(40)	-	-	-	(40)
Total contributions by and distributions to owners of the Group	**(0)**	**(40)**	**-**	**-**	**-**	**(40)**
Comprehensive income / (loss)						
Loss for the period	-	-	-	-	(2 354)	(2 354)
Translation difference	(616)	(7 841)	(73)	1 128	(6 987)	(14 389)
Total comprehensive income / (loss) for the period	**(616)**	**(7 841)**	**(73)**	**1 128**	**(9 341)**	**(16 743)**
Balance as of 31 December 2014	**855**	**10 885**	**102**	**551**	**14 851**	**27 244**
Balance as of 1 January 2013	**1 586**	**20 249**	**187**	**(107)**	**24 773**	**46 688**
Redemption of shares	(1)	(26)	-	-	-	(27)
Dividends to equity holders of the company	-	-	-	-	(14 665)	(14 665)
Total contributions by and distributions to owners of the Group	**(1)**	**(26)**	**-**	**-**	**(14 665)**	**(14 692)**
Comprehensive income						
Translation difference	(114)	(1 457)	(14)	(470)	(2 041)	(4 096)
Income for the period	-	-	-	-	16 125	16 125
Other comprehensive income	-	-	2	-	-	2
Total comprehensive income / (loss)	**(114)**	**(1457)**	**(12)**	**(470)**	**14 084**	**12 031**
Balance as of 31 December 2013	**1 471**	**18 766**	**175**	**(577)**	**24 192**	**44 027**

	Note	2014 RUR thousand	2013 RUR thousand	2014 USD thousand	2013 USD thousand
Cash flow from operating activities					
Cash generated from/(used in) operations	23	(151 525)	664 880	(4 295)	20 877
Interest paid	20	(122 106)	(47 651)	(3 148)	(1 496)
Interest received	20	11	4 500	-	141
Income tax paid		(37 530)	(255 994)	(1 183)	(8 038)
Net cash from/(used in) operating activities		**(311 150)**	**365 735**	**(8 626)**	**11 484**
Cash flow from investing activities					
Purchases of property, plant and equipment (PPE)	8	(472 573)	(461 103)	(12 797)	(14 478)
Proceeds from sale of PPE		2 029	-	57	-
Proceeds from sale non-current assets available-for sale		-	450 365	-	14 141
Purchases of intangible assets	9	(7 321)	(6 145)	(181)	(193)
Net cash from/(used in) investing activities		**(477 865)**	**(16 883)**	**(12 921)**	**(530)**
Cash flow from financing activities					
Redemption of shares		(1 800)	(840)	(49)	(26)
Dividends payment		(266)	(430 225)	(8)	(13 509)
Income Tax on dividend payment		-	(48 328)	-	(1 518)
Proceeds from borrowings		3 815 861	1 750 352	98 210	54 960
Repayments of borrowings		(3 080 015)	(1 752 936)	(78 906)	(55 041)
Net cash generated from / (used in) financing activities		**733 780**	**(481 977)**	**19 247**	**(15 134)**
Net decrease in cash, cash equivalents and bank overdrafts		**(55 234)**	**(133 125)**	**(2 300)**	**(4 180)**
Cash, cash equivalents and bank overdrafts at the beginning of the period		259 444	390 069	7 927	12 843
Effect of changes in currency rates on cash and cash equivalents		35 847	2 500	(1 360)	(736)
Cash, cash equivalents and bank overdrafts at the end of the period	12	**240 057**	**259 444**	**4 267**	**7 927**

The accompanying notes on pages 6 to 50 form an integral part of these consolidated financial statements.

1. OJSC "Melon Fashion Group" and its Operations

Principal operations. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014 for OJSC Melon Fashion Group (hereinafter the "Company") and its subsidiaries (hereinafter the "Group").

The Company is a joint stock company limited by shares and was set up in accordance with Russian regulations.

Principal activity. The Group manufactures, distributes and sells women's and men's clothes through their own retail and franchise stores within the Russian Federation, Ukraine, Kazakhstan, Belarus and Armenia. As at 31 December 2014 the Group operates under its own trademarks: "befree", "ZARINA" and "LOVE REPUBLIC".

As of 31 December 2014, the Group operated 669 (as of 31 December 2013 – 586) stores across Russian Federation, Ukraine, Kazakhstan, Belarus and Armenia.

The Group's structure as of 31 December 2014 is as follows:

Name of the company	Parent company or subsidiary	Country of incorporation	% interest held
OJSC Melon Fashion Group	Parent company	Russian Federation	-
Melon Fashion Ukraine Ltd	Subsidiary	Ukraine	100%
Taxi. Style Ltd	Subsidiary	Russian Federation	100%

The main shareholders of the Group are I.G.M. Manufactrust Limited (Cyprus), Humarito Limited (Cyprus) and MFG Intressenter AB (Sweden) which own 36%, 36% and 11% (2013: 35,3%, 36% and 11,2% respectively) of the Group's shares accordingly. The remaining 17% (17,5% in 2013) of the shares belong to private individuals (residents of Russian Federation and Sweden) with insignificant interest in share capital. The structure of the ownership has not changed as compared with the end of 2013. The Group has no ultimate controlling party.

Registered address and place of business.

The Group's registered address is:

10 th Krasnoarmeiskaya, 22
Kellermann centre
St. Petersburg
Russian Federation

The Group's principal places of business are Russia and Ukraine. Refer to Notes 2 and 24 for operation environment of the Group.

2. Operating Environment

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 24). During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

- the CBRF exchange rate fluctuated between RR 32.7292 and RR 56.2584 per USD;
- the CBRF key refinancing interest rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 12.0% p.a. to 17.0% p.a. on 16 December 2014;
- the RTS stock exchange index ranged between 1 445 and 791;
- access to international financial markets to raise funding was limited for certain entities; and
- capital outflows increased compared to prior years.

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

- the CBRF exchange rate fluctuated between RR 56.2584 per USD and RR 69,664 per USD;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade. Moody's Investors Service and Fitch Ratings still have Russia as investment grade. However, all these rating agencies indicated a negative outlook, meaning further downgrades are possible.
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates; and
- the CBRF key refinancing interest rate decreased from 17% p.a. to 14% p.a.

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

3. Summary of Significant Accounting Policies

3.1. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the periods presented, unless stated otherwise.

The Group companies maintain their accounting records in the respective currency and prepare their statutory financial statements in accordance with local regulations of accounting of the country in which the particular subsidiary is resident. These consolidated financial statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

3. Summary of Significant Accounting Policies (continued)

3.2. Consolidated Financial Statements

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

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

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

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

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

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

3.3. Foreign Currency Translation

The functional currency of each of the Group's entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the national currency of the Russian Federation, Russian Roubles ("RUR") (except for Melon Fashion Ukraine Ltd, which functional currency is Ukrainian hryvnia ("UAH")). The Group's presentation currencies are Russian Roubles and US Dollars ("USD"). The Group agreed presentation in RUR and USD which management believes are the most useful currencies to adopt for shareholders.

3. Summary of Significant Accounting Policies (continued)

3.3. Foreign Currency Translation (continued)

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss as financial income or cost. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognized in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income.

The results and financial position of the Group's subsidiary in Ukraine are translated into RUR for the purposes of consolidation, as follows:

(i) assets and liabilities presented in the subsidiary's statements of financial position are translated from UAH to RUR at the closing rate at the corresponding date;

(ii) income and expenses in the subsidiary's statement of recognised income and expenses are translated from UAH to RUR at quarterly average exchange rates for the corresponding periods, and, thereafter all amounts are summed up;

(iii) all translation differences arising between the amounts in the statements of comprehensive income and the amounts in the statements of financial position are recognised in the subsidiary's statements of financial position as a separate component of equity, referred to as "Translation difference" and in other comprehensive income in the consolidation statement of profit and loss and comprehensive income;

(iv) the equity is measured at historical cost.

The following UAH/RUR exchange rates were applied:

31 December 2014: UAH 1 = RUR 3,55643
Quarter 1 2014 average exchange rate: UAH 1 = RUR 3,8741;
Quarter 2 2014 average exchange rate: UAH 1 = RUR 2,9733;
Quarter 3 2014 average exchange rate: UAH 1 = RUR 2,8870;
Quarter 4 2014 average exchange rate: UAH 1 = RUR 3,2826;

31 December 2013: UAH 1 = RUR 3,9720
Quarter 1 2013 average exchange rate: UAH 1 = RUR 3,7440;
Quarter 2 2013 average exchange rate: UAH 1 = RUR 3,8842;
Quarter 3 2013 average exchange rate: UAH 1 = RUR 4,0261;
Quarter 4 2013 average exchange rate: UAH 1 = RUR 3,9628;

3. Summary of Significant Accounting Policies (continued)

3.4. Non- functional Currency Presentation

The results and financial position of the Group are translated into USD as follows:
(i) assets and liabilities for each consolidated statement of financial position are translated at the closing rate at the end of the respective reporting period;
(ii) income and expenses in the consolidated statement of profit and loss and other comprehensive income are translated at quarterly average exchange rates for the corresponding periods, and, thereafter all amounts are summed up;
(iii) all translation differences arising between the amounts in the consolidated statement of profit and loss and other comprehensive income and the amounts in the consolidated statement of financial position are recognised in the consolidated statement of financial position as a separate component of equity, referred to as "Translation reserve" and in other comprehensive income in the consolidated statement of profit and loss and other comprehensive income.

The following USD/RUR exchange rates were applied:

Quarter 1 2014 average exchange rate: USD 1 = RUR 34,9195;
Quarter 2 2014 average exchange rate: USD 1 = RUR 35,024;
Quarter 3 2014 average exchange rate: USD 1 = RUR 36,1623;
Quarter 4 2014 average exchange rate: USD 1 = RUR 47,5539;

31 December 2014: USD 1 = RUR 56,2584;

Quarter 1 2013 average exchange rate: USD 1 = RUR 30,4142;
Quarter 2 2013 average exchange rate: USD 1 = RUR 31,6130;
Quarter 3 2013 average exchange rate: USD 1 = RUR 32,7977;
Quarter 4 2013 average exchange rate: USD 1 = RUR 32,5334;

31 December 2013: USD 1 = RUR 32,7292;

3.5. Segment Reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker (Chief Executive Officer). Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

3.6. Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Land and buildings are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for land and buildings included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

3. Summary of Significant Accounting Policies (continued)

3.6. Property, Plant and Equipment (continued)

Costs of minor repairs and day-to-day maintenance are expensed as incurred. Costs for replacing major parts or components of property, plant and equipment items are capitalised and the replaced portions are retired.

At each reporting date, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the Group's management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell, and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or the fair value less costs to sell. In addition to the annual assessment, management reviews on an on-going basis the performance of each cash generating unit being each separate store, and takes appropriate action, which may include closing certain stores. As a result of such regular reviews, an impairment provision is recorded for any item of property, plant and equipment the recoverable amount of which is deemed to be lower than its carrying value.

Gains and losses on disposals determined by comparing proceeds with the carrying amount are recognised in profit or loss for the year within other income and expense.

3.7. Depreciation.

Land is not depreciated. Depreciation of other items of property, plant and equipment is calculated using the straight-line method to allocate the cost or revaluated amounts to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	40 to 50
Plant and equipment	2 to 7
Leasehold improvements	5

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

3.8. Investment Property

Investment property is land held by the Group for a currently undetermined future use.

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

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

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

3. Summary of Significant Accounting Policies (continued)

3.8. Investment Property (continued)

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

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

3.9. Operating Leases.

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

3.10. Intangible Assets.

The Group's intangible assets have definite useful lives and primarily include capitalised computer software, trademarks, and favourable lease contract.

Separately acquired trademarks and software are stated at historical cost. Trademarks acquired in a business combination are recognized at fair value at the date of acquisition. Trademarks and software have a definite useful life and are carried at cost less accumulated amortisation.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and put into use the specific software. These costs are amortised over the estimated useful lives of the assets.

The favourable lease contracts regarding the retail stores acquired in a business combination are valued applying a cost approach, in order to capture the cost savings incurred by having the contracts in place, and at below market rates. The renewal periods for each contract are also considered, based on the remaining length of current contracts (short vs. long), market conditions for each location, current rates in comparison to market rates at the time of business combination, and the likely negotiation outcomes with each lessor. The favourable lease contracts are amortised over the remaining length of each lease contract. Lease contracts are assessed for impairment at the end of each reporting period.

Intangible assets are amortised applying the straight-line method over their useful lives:

	Useful lives in years
Trademarks	3-20
Software licences	1-3
Lease contracts	1-5

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

3. Summary of Significant Accounting Policies (continued)

3.11. Impairment of Non-financial Assets.

The Group's tangible and intangible assets subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If acquired cash-generating units show lower operating results comparing to the plan then indicators of impairment of tangible and intangible assets (stores equipment, leasehold improvements, rental contracts and trademarks) exist at the reporting date as a consequence of the lower operating result than planned.

Impairment losses are recognised in the consolidated statement of profit and loss and other comprehensive income as impairment of non-current assets.

3.12. Discontinued Operations.

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

3.13. Current and Deferred Income Tax.

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

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

3. Summary of Significant Accounting Policies (continued)

3.13. Current and Deferred Income Tax (continued)

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

3.14. Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Goods-in-transit are inventory for which risks and rewards were transferred to the Group as of the reporting date but it has not been delivered to the Group’s site. The Group recognises goods-in-transit when risks and rewards are transferred from supplier in accordance with purchase agreements. Cost of goods-in-transit is measured in same manner as the cost of finished goods.

The Group makes provisions for slow moving and obsolete goods and raw materials and provisions for losses during transportation. These provisions are based on the Group’s statistic data and included in line “Cost of sales” in the consolidated statement of profit and loss and comprehensive income.

3.15. Trade and Other Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3. Summary of Significant Accounting Policies (continued)

3.15. Trade and Other Receivables (continued)

A provision for bad and doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered to comprise indicators that the trade receivable in question is impaired. The amount of the provision is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is determined separately for each doubtful debtor. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit and loss and other comprehensive income as a part of the item "General and administrative expenses".

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recovered against "General and administrative expenses" in the consolidated statement of profit and loss and other comprehensive income.

Prepayments.

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

The Group recognized rent deposits as prepayments and classifies them as non-current if they relate to rent contract which is expired after 12 months from the reporting date. Other rent deposits are classified as current assets.

3.16. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Cash transferred from stores to bank but not yet credited to bank accounts as of the reporting date is recorded as cash in transit. Cash and cash equivalents are carried at amortised cost using the effective interest method.

3.17. Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds of the issue. Any excess of the fair value of consideration received over the nominal value of shares issued is presented as a share premium.

3.18. Dividend Distribution

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved by the Company's shareholders. Any dividends declared after the reporting period and before the consolidated financial statements are authorised for issue are disclosed in the events after reporting date note.

3. Summary of Significant Accounting Policies (continued)

3.19. Value Added Tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the Consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

3.20. Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss (as interest expense) over the period of the borrowings using the effective interest method. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized. Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The Group has not capitalised borrowing costs in 2013 and 2014.

Proceeds and repayments of overdrafts are disclosed in the consolidated statement of cash flows on gross basis.

3.21. Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.22. Provisions for Liabilities and Charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations in its entirety. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be limited.

Where the Group expects a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

Provision for unused vacation is accrued at each reporting date and recognised in the consolidated statement of profit and loss and other comprehensive income as a part of “Personnel costs”.

3. Summary of Significant Accounting Policies (continued)

3.22. Provisions for Liabilities and Charges (continued)

The Group defined the following provisions for sales amount:

- Provisions on sales for loyalty club members. The Group operates loyalty programmes in the retail chains for trademarks "ZARINA", "befree" and "Love Republic". According to IFRIC 13, the Group calculates the deferred sales and establishes a provision for these amounts until the period in which the customer make new purchases;

- Provision for 2-weeks returns in retail. It is the Group's policy to sell its products to the retail customer with the right to return the goods within 14 days. Accumulated experience is applied to estimate and establish a provision for such returned goods already at the time of sale;

- Provision for defective goods' returns in retail. It reflects the amount of probable returns of defective goods from retail customers which were bought in the reporting period.

These provisions are charged on a quarterly basis and the result of their changing is recognised in the consolidated statement of profit and loss and other comprehensive income as a part of "Revenue".

3.23. Financial Instruments.

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets and liabilities at fair value through profit or loss are consisted of derivative financial instruments (foreign exchange forwards).

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

Financial liabilities have the following measurement categories: (a) financial derivatives and (b) other financial liabilities. Other financial liabilities are initially recognised at fair value and subsequently carried at amortised cost.

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

After initial recognition, loans and accounts receivable are measured at amortised cost using the effective interest method, less provision for impairment.

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

Fair value of foreign exchange forwards is determined by the Group as price of the most recent market transactions as long as there has not been a significant change in economic circumstances since the time of the transaction.

3. Summary of Significant Accounting Policies (continued)

3.23. Financial Instruments (continued)

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

The Group removes financial liabilities (or a part of financial liability) from its consolidated statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

3.24. Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset

and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

3.25. Revenue Recognition

Revenue is measured at the fair value of the consideration received or the receivable on the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, the risks and rewards transferred to the Group and when specific criteria have been met for each of the Group's activities, as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods –franchise

The Group manufactures and sells women's and men's clothes in the franchise and sub-franchise markets. Sales of goods are recognised when a Group entity has delivered products to the franchise or the sub-franchise client, the franchise or the sub-franchise client has full discretion over the distribution channel and price to sell the products, and when there is no unfulfilled obligation that could affect the franchise or the sub-franchise client's acceptance of the products. Delivery takes place when the products have been shipped to the specified location, the risk of obsolescence and loss has been transferred to the franchise or the sub-franchise client, and either the franchise or the sub-franchise client has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discount. Accumulated experience is used to estimate and provide for the discounts. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed to take place as the sales are made with a credit term of 60 days, which is consistent with market practice.

3. Summary of Significant Accounting Policies (continued)

3.25. Revenue Recognition (continued)

(b) Sales of goods – retail (including master-franchise)

The Group operates a chain of own shops selling women's and men's clothes. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually paid in cash or by credit card.

3.26. Employee Benefits.

Wages, salaries, contributions to the Russian Federation and Ukraine state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group.

The Group has a defined benefit plan. The plan is funded by the Group determined on the basis of periodic actuarial calculations. A defined plan is a pension plan under which the Group establishes a provision for its determined commitments.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Tax legislation. Russian and Ukrainian tax, currency and customs legislation are subject to varying interpretations, and changes, which can occur frequently, refer to Note 24.

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

If in 2014 the useful lives of property, plant and equipment had been shorter / longer than management estimates by 10% (2013: 10%) the profit before tax for the year then ended would have been RUR thousand lower/higher by RUR 24 190 thousand (2013: RUR 17 410 thousand lower/higher).

5. Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2014:

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard did not have a material impact on the Group.

"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). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard did not have a material impact on the Group.***IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).*** The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The amended standard did not have a material impact on the Group.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in 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). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard did not have a material impact on the Group.

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard did not have a material impact on the Group.

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.

5. Adoption of New or Revised Standards and Interpretations (continued)

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 (FVPL).
- 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 FVPL (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.

The Group is currently assessing the impact of the new standard on its financial statements. The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- 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

5. Adoption of New or Revised Standards and Interpretations (continued)

- - 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).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- 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).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group’s consolidated financial statements.

6. Segment Reporting

The Group does not fall within the scope of IFRS 8 “Operating segments”, but disclose the segment information in accordance with the standard voluntary for the use of shareholders.

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Chief Executive Officer of the Group.

The Group operates in the Russian Federation, Ukraine, Belarus, Kazakhstan and Armenia.

The principal activity of the Group is comprised of the retail, franchise distribution of women’s and men’s clothing, footwear and accessories through various commercial format stores aimed at different target sectors of the public. The Group defines operating and reportable segment on a brand basis. Three brands of the Group are: ZARINA, befree, Love Republic. Each brand is managed by a different concept-manager and has its own network of owned and franchised/subfranchised stores. But all the brands have a common supply chain, corporate policy and support services. Also, the information common to all of the segments is analysed by the unified CODM.

For the purposes of these consolidated financial statements, “Discontinued operations” reflects the activities of the following brands: co&beauty, women’ secret, SPRINGFIELD in Russian Federation and Ukraine. “All other segments” includes other activities.

The internal organisation of the Group, the decision-making process and the system for communicating information to the board of directors and Group management is organised according to the commercial format (brand), and by distribution channel.

The Group reports a measure of non-current assets and finished products and goods for resale for each reportable segment. No other segment asset or liability figures are reported to the CODM, therefore the Group does not disclose them in these consolidated financial statements. The Group has no single external customer revenue transactions that amounted to 10 per cent or more of the Group’s revenue.

6. Segment Reporting (continued)

Segment information provided to the CODM for the year ended 31 December 2014 and 2013 is as follows:

in RUR thousands	**befree**	**ZARINA**	**LOVE REPUBLIC**	**Discontinued operations**	**All other segments**	**Total**
2014						
Total segment revenue	4 313 944	3 014 100	3 863 945	35	35	11 192 059
Adjusted EBITDA	46 289	48 426	386 196	(733)	256	480 434
EBITDA margin	**1%**	**2%**	**10%**			**4%**
Depreciation and amortisation (Note 8,9)	121 675	65 916	61 285	-	-	248 876
Finished products and goods for resale	684 690	431 424	554 000	-	136	1 670 250
Income tax credit/(expense)	5 179	14 791	(99 253)	(8)	(140)	(79 431)
Number of stores	263	216	190	-	-	669
2013						
Total segment revenue	3 326 922	2 449 927	3 189 531	259 829	-	9 226 209
Adjusted EBITDA	141 894	294 402	461 056	(102 447)	951	795 856
EBITDA margin	**4,27%**	**12%**	**14,5%**	**-39,4%**		**8,6%**
Depreciation and amortisation (Note 8,9)	73 407	44 545	55 575	571	-	174 098
Finished products and goods for resale	340 931	256 992	360 869	529		959 321
Income tax credit/(expense)	(52 790)	(60 393)	(87 366)	(9 567)	366	(209 750)
Number of stores	228	196	162	-	3	589

in USD thousands	**befree**	**ZARINA**	**LOVE REPUBLIC**	**Discontinued operations**	**All other segments**	**Total**
2014						
Total segment revenue	113 063	79 132	100 094	1	1	292 291
Adjusted EBITDA	(68)	272	8 007	(21)	8	8 198
EBITDA margin	**-0,1%**	**0,3%**	**8 %**			**3%**
Depreciation and amortisation (Note 8,9)	3 184	1 739	1 632	-	-	6 555
Finished products and goods for resale	12 171	7 669	9 847	-	2	29 689
Income tax credit/(expense)	383	601	(2 228)	-	(6)	(1 250)
Number of stores	263	216	190	-	-	669
2013						
Total segment revenue	104 091	76 652	99 792	8 533	-	289 068
Adjusted EBITDA	4 439	9 212	14 425	(3 365)	30	24 741
EBITDA margin	**4,27%**	**12%**	**14,5%**	**-39,4%**		**8,6%**
Depreciation and amortisation (Note 8,9)	2 243	1 361	1 698	17	-	5 319
Finished products and goods for resale	10 417	7 852	11 026	16	-	29 311
Income tax credit/(expense)	(1 645)	(1 882)	(2 726)	(312)	11	(6 554)
Number of stores	228	196	162	-	3	589

As at 31 December 2014 the Group operated 21 retail stores in Ukraine (18 as at 31 December 2013), 10 retail stores in Kazakhstan, 2 retail store in Belarus and 1 retail store in Armenia (none in Kazakhstan, Belarus and Armenia as at 31 December 2013). The Ukraine share in total Group revenue for 2014 was 2.67% (2013 - 2.57 %). The share of Kazakhstan, Belarus and Armenia for 2014 was 0,6 % (none for 2013) and was included in Russia segment for purpose of the segment reporting.

6. Segment Reporting (continued)

Disclosure of geographical segments is performed below:

in RUR thousands

	Russia		Ukraine		Total	
2014	**Continuing operations**	**Discontinued operations**	**Continuing operations**	**Discontinued operations**	**Continuing operations**	**Discontinue d operations**
Total segment revenue	10 893 204	35	298 820		11 192 024	35
Adjusted EBITDA	644 496	(772)	(163 329)	39	481 167	(733)
EBITDA margin	**6%**	**0%**	**-55%**	**0%**	**4%**	**-**
Depreciation and amortisation	242 419	-	6 457	-	248 876	-
Finished products and goods for resale	1 581 090	-	89 160	-	1 670 250	-
Non-current assets(other than finacial instruments and deferred tax assets)	1 082 644	-	21 383	-	1 104 027	-
Deferred tax assets	209 247	-	628	-	209 875	-
Income tax credit / (expense)	(78 908)	(8)	(515)	-	(79 423)	(8)
Number of stores	648	-	21	-	669	-
2013						
Total segment revenue	8 735 838	216 755	230 542	43 074	8 966 380	259 829
Adjusted EBITDA	899 820	(93 500)	(1 517)	(8 947)	898 303	(102 447)
EBITDA margin	**10,30%**	**-43,14%**	**-0,66%**	**-20,77%**	**10,02%**	**-39,43%**
Depreciation and amortisation	166 835	571	6 692	-	173 527	571
Finished products and goods for resale	903 131	529	55 661	-	958 792	529
Non-current assets(other than finacial instruments and deferred tax assets)	814 588	-	28 477	-	843 065	-
Deferred tax assets	46 209	-	1 091	-	47 300	-
Income tax credit / (expense)	(200 433)	(9 792)	250	225	(200 183)	(9 567)
Number of stores	571	-	18	-	589	-

in USD thousands

	Russia		Ukraine		Total	
2014	**Continuing operations**	**Discontinued operations**	**Continuing operations**	**Discontinued operations**	**Continuing operations**	**Discontinued operations**
Total segment revenue	284 632	1	7 658	-	292 290	1
Adjusted EBITDA	12 730	(22)	(4 511)	1	8 219	(21)
EBITDA margin	**5%**	**0%**	**-59%**	**0%**	**3%**	**0%**
Depreciation and amortisation	6 389	-	166	-	6 555	-
Finished products and goods for resale	28 104	-	1 585	-	29 689	-
Non-current assets(other than finacial instruments and deferred tax assets)	19 244	-	380	-	19 624	-
Deferred tax assets	3 719	-	12	-	3 731	-
Income tax credit / (expense)	(1 233)	-	(17)	-	(1 250)	-
Number of stores	648	-	21	-	669	-
Total segment revenue	273 322	7 118	7 213	1 415	280 534	8 533
Adjusted EBITDA	28 153	(3 071)	(47)	(294)	28 106	(3 365)
EBITDA margin	**10,30%**	**-43,14%**	**-0,66%**	**-20,77%**	**10,02%**	**-39,43%**
Depreciation and amortisation	5 098	17	204	-	5 302	17
Finished products and goods for resale	27 594	16	1 701	-	29 295	16
Non-current assets(other than finacial instruments and deferred tax assets)	24 889	-	870	-	25 759	-
Deferred tax assets	1 412	-	33	-	1 445	-
Income taxcredit / (expense)	(6 249)	(319)	7	7	(6 242)	(312)
Number of stores	571	-	18	-	589	-

6. Segment Reporting (continued)

Revenue from external parties reported to the CODM is measured in a manner consistent with that applied in the consolidated statement of profit or loss and other comprehensive income.The CODM assesses the performance of the operating segments based on a measure of adjusted EBITDA. Interest income is not allocated to segments.

Adjusted EBITDA is non-IFRS measure determined by the Group as profit before tax adjusted for impairment losses, depreciation and amortisation expenses, and interest expenses.

A reconciliation of adjusted EBITDA to profit before tax is provided below:

in thousands

	2014	**2013**	**2014**	**2013**
	RUR	**RUR**	**USD**	**USD**
Adjusted EBITDA for reportable segments	480 178	794 905	8 190	24 710
Other segments EBITDA	256	951	8	30
Income from sale of discontinued operation	-	150 490	-	5 048
Compensation from sale of discontinued operation	14 657	-	421	-
Total EBITDA of the Group	**495 091**	**946 346**	**8 619**	**29 788**
Depreciation and amortisation (Note 8,9)	(248 876)	(174 098)	(6 555)	(5 319)
Interest expense	(123 100)	(43 151)	(3 167)	(1 790)
Income / (loss) before tax (incl. discontinued operations)	**123 115**	**729 097**	**(1 103)**	**22 679**

Revenues from external customers are derived from the sales of men’s and women’s clothes on a franchise and retail basis. The breakdown of retail and franchise revenues is provided below:

in thousands

	2014	**2013**	**2014**	**2013**
	RUR	**RUR**	**USD**	**USD**
Retail sales	10 106 483	8 378 692	263 889	261 232
Franchise sales	1 085 576	847 517	28 402	27 835
Total revenue from third parties (incl. discontinued operations)	**11 192 059**	**9 226 209**	**292 291**	**289 067**

7. Balances and Transactions with Related Parties

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, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form of the relationship.

The Group defined the following categories of related parties:

- Key management personnel
- Shareholders
- Entities controlled by shareholders and key management personnel.

7. Balances and Transactions with Related Parties (continued)

The following transactions were carried out with related parties:

(a) *Key management compensation*

In RUR thousand	**2014**	**2013**
Salaries and other short-term employee benefits	16 791	10 415
Post-employment benefits	91	366
Total	**16 882**	**10 781**
in USD thousand		
Salaries and other short-term employee benefits	460	325
Post-employment benefits	3	11
Total	**463**	**336**

Key management consists of the members of the Board of Directors, the chief executive officer and president of OJSC Melon Fashion Group.

(b) Purchases of services

in RUR thousands	**2014**	**2013**
Purchases of services		
Entities controlled by a member of the BoD	**-**	2 489
in USD thousands		
Purchases of services		
Entities controlled by a member of the BoD	**-**	76

Services are acquired from company controlled by the key management on normal commercial terms and conditions.

8. Property, Plant and Equipment

Changes in the carrying amount of property, plant and equipment and intangible assets were as follows:

In RUR thousand	**Note**	**Freehold Land**	**Buildings**	**Plant and equipment**	**Leasehold improvements**	**Construc-tion in progress**	**Total**
At 1 January 2013							
Cost or valuation		262	15 435	422 012	474 714	5 787	918 210
Accumulated depreciation		-	(586)	(259 024)	(252 788)	-	(512 398)
Carrying amount		**262**	**14 849**	**162 988**	**221 926**	**5 787**	**405 812**
Year ended 31 December 2013							
Opening carrying amount		262	14 849	162 988	221 926	5 787	405 812
Transferred from disposal group classified as held for sale	13	-	-	2 336	-	-	2 336
Revaluation surplus		-	59	-	-	-	59
Additions		-	-	206 983	250 433	3 687	461 103
Disposals		-	(770)	(507)	(6 705)	-	(7 982)
Depreciation charge		-	(24)	(72 814)	(96 100)	-	(168 938)
Transferred to disposal group classified as held for sale	13	-	-	(4 491)	-	-	(4 491)
Closing carrying amount		**262**	**14 114**	**294 494**	**369 555**	**9 474**	**687 899**
At 31 December 2013							
Cost or valuation		262	14 352	581 507	737 045	9 474	1 342 640
Accumulated depreciation and impairment		-	(238)	(287 012)	(367 491)	-	(654 741)
Carrying amount		**262**	**14 114**	**294 494**	**369 554**	**9 474**	**687 899**

8. Property, Plant and Equipment (continued)

In RUR thousand	Note	Freehold Land	Buildings	Plant and equipment	Leasehold improvements	Construction in progress	Total
Year ended 31 December 2014							
Opening carrying amount		**262**	**14 114**	**294 494**	**369 554**	**9 474**	**687 899**
Additions		-	-	219 243	232 376	1 646	453 264
Disposals		-	-	(5 130)	(713)	-	(5 843)
Depreciation charge	19		(58)	(100 728)	(141 115)	-	(241 901)
Closing carrying amount		**262**	**14 055**	**407 881**	**460 101**	**11 120**	**893 419**
At 31 December 2014							
Cost or valuation		262	14 326	723 889	938 695	11 120	1 688 292
Accumulated depreciation and impairment		-	(271)	(316 008)	(478 594)	-	(794 873)
Carrying amount		**262**	**14 055**	**407 881**	**460 101**	**11 120**	**893 419**

In USD thousand	Note	Freehold Land	Buildings	Plant and equipment	Leasehold improvements	Construction in progress	Total
At 1 January 2013							
Cost or valuation		8	508	13 894	15 630	191	30 231
Accumulated depreciation		-	(19)	(8 528)	(8 323)	-	(16 870)
Carrying amount		**8**	**489**	**5 366**	**7 307**	**191**	**13 361**
Year ended 31 December 2013							
Opening carrying amount		8	489	5 366	7 307	191	13 361
Transferred from disposal group classified as held for sale	13	-	-	71	-	-	71
Translation differences		-	(35)	(244)	(526)	(14)	(818)
Revaluation surplus		-	2	-	-	-	2
Additions		-	-	6 324	7 652	113	14 088
		-	(24)	(15)	(205)	-	(244)
Depreciation charge		-	(1)	(2 368)	(2 936)	-	(5 305)
Transferred to disposal group classified as held for sale	13	-	-	(137)	-	-	(137)
Closing carrying amount		**8**	**431**	**8 998**	**11 291**	**289**	**21 018**
At 31 December 2013							
Cost or valuation		8	438	17 767	22 519	289	41 023
Accumulated depreciation and impairment		-	(7)	(8 769)	(11 228)	-	(20 005)
Carrying amount		**8**	**431**	**8 998**	**11 291**	**289**	**21 018**
Year ended 31 December 2014							
Opening carrying amount		8	431	8 998	11 291	289	21 018
Translation differences		(3)	(180)	(2 808)	(3 568)	(121)	(6 681)
Additions		-	-	3 897	4 130	29	8 057
Disposals		-	-	(120)	(19)	-	(139)
Depreciation charge	19	-	(1)	(2 716)	(3 657)	-	(6 374)
Closing carrying amount		**5**	**250**	**7 250**	**8 178**	**198**	**15 881**
At 31 December 2014							
Cost or valuation		5	255	12 867	16 685	198	30 010
Accumulated depreciation and impairment		-	(5)	(5 617)	(8 507)	-	(14 129)
Carrying amount		**5**	**250**	**7 250**	**8 178**	**198**	**15 881**

As at 31 December 2014 and 2013 there is no accounts payable related to PPE.

8. Property, Plant and Equipment (continued)

All revaluations related to buildings and land plots were performed by independent appraisers holding a recognised and relevant professional qualification and who applied valuation techniques and have recent experience in the valuation of assets of a similar location and category. As on 31 December 2014 the carrying value of the buildings did not change from it's fair value.

In October 2014 the Group formally registered legal rights on the investment property, which includes the land plot in Roschino held for a currently undetermined future. Cost of the rights registration is amounted to RUR 17 279 thousand (USD 307 thousand) what is equal to fair value of the investment property as at 31 December 2014.

9. Intangible Assets

In RUR thousand	**Note**	**Lease contracts**	**Acquired software licences**	**Trademarks**	**Other intangible assets**	**Total**
At 1 January 2013						
Cost		30 149	8 116	2 162	54	40 481
Accumulated amortisation		(27 197)	(4 735)	(122)	-	(32 054)
Carrying amount		**2 952**	**3 381**	**2 040**	**54**	**8 427**
Year ended 31 December 2013						
Opening carrying amount		2 952	3 381	2 040	54	8 427
Additions		-	6 050	95	-	6 145
Disposals		-	-	-	-	-
Amortisation charge	19	(1 860)	(2 571)	(158)	-	(4 589)
Closing carrying amount		**1 092**	**6 860**	**1 977**	**54**	**9 983**
At 31 December 2013						
Cost		29 745	14 165	2 257	54	46 221
Accumulated amortisation and impairment		(28 653)	(7 305)	(280)	-	(36 238)
Carrying amount		**1 092**	**6 860**	**1 977**	**54**	**9 983**
Year ended 31 December 2014						
Opening carrying amount		1 092	6 860	1 977	54	9 983
Additions		-	6 472	849	-	7 321
Disposals		-	-	-	-	-
Amortisation charge	19	(1 092)	(5 736)	(147)		(6 975)
Closing carrying amount		**-**	**7 596**	**2 679**	**54**	**10 329**
At 31 December 2014						
Cost		29 744	20 637	3 106	54	53 541
Accumulated amortisation and impairment		(29 744)	(13 041)	(427)	-	(43 212)
Carrying amount		**-**	**7 596**	**2 679**	**54**	**10 329**

9. Intangible Assets (continued)

In USD thousand	Note	Lease contracts	Acquired software licences	Trademarks	Other intangible assets	Total
At 1 January 2013						
Cost		992	267	71	2	1 332
Accumulated amortisation and impairment		(895)	(156)	(4)	-	(1 055)
Carrying amount		**97**	**111**	**67**	**2**	**277**
Year ended 31 December 2013						
Opening carrying amount		97	111	67	2	277
Translation differences		(7)	(7)	(2)	-	(16)
Additions		-	185	3	-	188
Disposals		-	-	-	-	-
Amortisation	19	(57)	(79)	(8)	-	(144)
Closing carrying amount		**33**	**210**	**60**	**2**	**305**
At 31 December 2013						
Cost		908	433	69	2	1 412
Accumulated amortisation and impairment		(875)	(223)	(9)	-	(1 107)
Carrying amount		**33**	**210**	**60**	**2**	**305**
Year ended 31 December 2014						
Opening carrying amount		33	210	60	2	305
Translation differences			(45)	(25)	(1)	(71)
Additions		-	115	16	-	131
Disposals		-	-	-	-	-
Amortisation charge	19	(33)	(145)	(3)		(181)
Closing carrying amount		**-**	**135**	**48**	**1**	**184**
At 31 December 2014						
Cost		529	367	55	1	952
Accumulated amortisation and impairment		(529)	(232)	(8)	-	(768)
Carrying amount		**-**	**135**	**48**	**50**	**184**

ZARINA", "befree", "Love Republic" and "Melon Fashion Group" are the trademarks registered by the Group. Trademarks are stated at historical cost plus costs associated with their acquisition or registration.

10. Inventories

	31 December 2014 RUR thousand	**31 December 2013 RUR thousand**	**31 December 2014 USD thousand**	**31 December 2013 USD thousand**
Finished products and goods for resale	1 708 932	959 321	30 376	29 311
Goods-in-transit	1 113 570	505 758	19 794	15 454
Work in progress	141 580	119 666	2 517	3 656
Raw materials	79 906	45 080	1 421	1 377
Provisions for obsolescence	(38 682)	(33 513)	(688)	(1 024)
Total inventories	**3 005 306**	**1 596 312**	**53 420**	**48 774**

As at 31 December 2014 the accounts payable related to inventories amount to RUR 2 982 037 thousand (USD 53 005 thousand) (31 December 2013: RUR 1 093 508 thousand (USD 33 412 thousand)).

10. Inventories (continued)

There is no the carrying value of inventories pledged for rent guarantees and settlements with suppliers as at 31 December and 2013.

Provisions for obsolescence	For obsolete and slow moving finished goods	For losses during transportation	Total
in RUR thousand			
At 1 January 2013	**(19 450)**	**(830)**	**(20 280)**
Additional provisions	(33 470)	(43)	(33 513)
Recoverable amounts	19 450	830	20 280
At 31 December 2013	**(33 470)**	**(43)**	**(33 513)**
Additional provisions	(38 120)	(562)	(38 682)
Recoverable amounts	33 470	43	33 513
At 31 December 2014	**(38 120)**	**(562)**	**(38 682)**
in USD thousand			
At 1 January 2013	**(641)**	**(27)**	**(668)**
Effect of changes in exchange rates on opening balance	47	1	48
Additional provisions	(1 023)	(1)	(1 024)
Recoverable amounts	595	25	620
At 31 December 2013	**(1 023)**	**(1)**	**(1 024)**
Effect of changes in exchange rates on opening balance	428	0	428
Additional provisions	(678)	(10)	(688)
Recoverable amounts	595	1	596
At 31 December 2014	**(678)**	**(10)**	**(688)**

11. Trade and Other Receivables

	31 December 2014 RUR thousand	31 December 2013 RUR thousand	31 December 2014 USD thousand	31 December 2013 USD thousand
Trade receivables	149 516	49 451	2 658	1 511
Less impairment provision	(5 683)	(5 018)	(101)	(153)
Total financial assets within trade and other receivables	**143 833**	**44 433**	**2 557**	**1 358**
Advances to suppliers	304 169	273 321	5 407	8 352
Non-current secured payments (prepayments)	183 000	149 281	3 252	4 561
Current secured payments (prepayments)	164 755	142 504	2 929	4 354
Other receivables	41 293	40 326	734	1 232
VAT recoverable	8 459	4 267	150	130
Less impairment provision	(15 296)	(5 455)	(272)	(167)
Total trade and other receivables	**830 213**	**648 677**	**14 757**	**19 820**

Trade and other receivables are shown net of provisions for bad and doubtful receivables. As at 31 December 2014 and 31 December 2013, trade and other receivables were free of any pledging.Secured prepayments are the prepayments for 1-2 months rental payments to lessors.

11. Trade and Other Receivables (continued)

As at 31 December 2014 trade receivables of RUR 14 418 thousand (USD 256 thousand) (2013: RUR 18 416 thousand – USD 563 thousand) were past due, but not impaired. These amounts refer to customers with no default history. The age analysis of these receivables is as follows:

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RUR thousand	RUR thousand	USD thousand	USD thousand
to 3 months	4 797	11 018	85	337
3 to 6 months	9 445	2 567	168	78
6 to 12 months	176	4 831	3	148
Total trade and other receivables	**14 418**	**18 416**	**256**	**563**

As at 31 December 2014, trade and other receivables of RUR 20 979 thousand (USD 373 thousand) (2013: RUR 10 473 thousand – USD 320 thousand) were past due and impaired. The ageing of these receivables is as follows:

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RUR thousand	RUR thousand	USD thousand	USD thousand
3 to 12 months	1 497	5 373	27	164
1 to 2 years	9 985	615	177	19
2 to 3 years	9 497	4 485	169	137
Total trade and other receivables	**20 979**	**10 473**	**373**	**320**

Movements on the Group provision for impairment of trade receivables are as follows:

	2014	2013	2014	2013
	RUR thousand	RUR thousand	USD thousand	USD thousand
At the beginning of the year	10 473	6 677	320	220
Translation difference	-	-	(134)	(16)
Provided during the year	12 922	5 996	230	183
Receivable written off during the year as uncollectible	(2 416)	(2 200)	(43)	(67)
Total	**20 979**	**10 473**	**373**	**320**

The movement on the provision for impaired receivables has been included in the item General and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

12. Cash and Cash Equivalents

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RUR thousand	RUR thousand	USD thousand	USD thousand
Cash on hand	49 771	45 322	884	1 385
Cash in transit	50 962	13 349	906	408
Cash at bank	139 324	135 315	2 477	4 134
Short-term bank deposits	-	65 458	-	2 000
Total	**240 057**	**259 444**	**4 267**	**7 927**

Cash in transit is cash which was collected from the stores and not debited to bank cash accounts. Such services provided by non-bank cash-collecting companies.

12. Cash and Cash Equivalents (continued)

Short-term bank deposits as at 31 December 2013 include the deposit from MDM Bank RUR 65 458 thousand (USD 2 000 thousand), interest rate is 0.45%. The deposit was withdrawn in January 2014.

The credit quality of cash at bank and in short-term deposits based on Moody’s and S&P ratings (where Moody's rating is not available) may be summarised follows at 31 December 2014:

	Moody’s/S&P's rating		Outstanding balance			
Bank	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
			RUR thousand	**RUR thousand**	**USD thousand**	**USD thousand**
MDM Bank	A2	Ba3	81 346	91 526	1 446	2 796
Raiffeisen Bank	Baa3	Baa3	23 604	44 374	420	1 356
HSBC Bank	Aa3	Aa3	33 478	62 443	595	1 908
Sberbank	Aaa	Baa1	884	1 490	16	46
VTB	Caa2	Baa2	12	933	0	29
VAB-Bank	Aaa	Caa2	-	7	-	-
Total			**139 324**	**200 773**	**2 477**	**6 134**

13. Discontinued Operations

In April 2013 the Group sold two brands - women’ secret and SPRINGFIELD. Financial information relating to operations of these brands (excluding the net result of their disposal) for the period to the date of disposal is set out below. Consolidated Statement of Profit or Loss and Other Comprehensive income distinguishes discontinued operations from continuing operations.

In RUR thousand	**2014**	**2013**
Operating cash flows	-	136 003
Investing cash flows	-	-
Financial cash flows	-	-
Total cash flows	**-**	**136 003**

In USD thousand	**2014**	**2013**
Operating cash flows	-	4 261
Investing cash flows	-	-
Financial cash flows	-	-
Total cash flows	**-**	**4 261**

Analysis of the result of discontinued operations is as follows:

	2014	**2013**	**2014**	**2013**
	RUR thousand	**RUR thousand**	**USD thousand**	**USD thousand**
Revenue	35	259 829	1	8 533
Operating expenses	(758)	(362 848)	(22)	(11 884)
Other income	-	-	-	-
Finance costs	-	(3 256)	-	(107)
Loss before tax of discontinued operations	-	(106 275)	-	(3 458)
Income tax expense		(9 567)	-	(312)
Losses after tax of discontinued operations	**(723)**	**(115 842)**	**(21)**	**(3 770)**

The consideration received in 2013 by the Group from sale of discontinued operation is RUR 450 365 thousand (USD 14 141 thousand). The net assets disposed as discontinued operation is RUR 296 257 thousand (USD 9 796 thousand).

13. Discontinued Operations (continued)

Analysis of carrying amount of net assets classified as a disposal group held for sale is as follows:

	2013 RUR thousand	2013 USD thousand
Carrying amount of net assets classified as a disposal group held for sale as of 1 January 2013	446 518	14 701
Assets transferred to property, plant and equipment classified as held for sale	2 155	66
Assets transferred to finished products and goods for resale	(123 680)	(3 912)
Net trade and other receivable settled before sale of discontinued operation	(28 736)	(909)
Translation difference	-	(150)
Carrying amount of net assets disposed of	**296 257**	**9 796**

The Group also received a payment in 2014 from the sale of discontinued operation in amount of RUR 14 657 thousand (USD 421 thousand). This payment relates to compensation of the results of sub-franchise women'secret and SPRINGFIELD business in Russia.

14. Share Capital and Premium

In RUR thousand	Number of shares	Nominal cost shares	Share premium	Total
At 1 January 2013	**32 104**	**48 156**	**615 012**	**663 168**
Redemption of shares	(7)	(10)	(830)	(840)
At 31 December 2013	**32 097**	**48 146**	**614 182**	**662 328**
Redemption of shares	(15)	(18)	(1 782)	(1 800)
At 31 December 2014	**32 082**	**48 128**	**612 400**	**660 528**
In USD thousand				
At 1 January 2013	**32 104**	**1 586**	**20 249**	**21 835**
Effect of changes in exchange rates on opening balance	-	(114)	(1 457)	(1 571)
Redemption of shares	(7)	(1)	(26)	(27)
At 31 December 2013	**32 097**	**1 471**	**18 766**	**20 237**
Effect of changes in exchange rates on opening balance	-	(616)	(7 841)	(8 457)
Redemption of shares	(15)	-	(40)	(40)
At 31 December 2014	**32 082**	**856**	**10 885**	**11 740**

Each ordinary share entitles the holder to one vote.

In August 2013, the Group redeemed seven shares from a shareholder and located them on the Group's subsidiary accounts. Consequently, the total authorised number of ordinary shares decreased from 32 104 to 32 097 shares.

During the year ended 31 December 2014 the Group acquired its own 15 shares from one of shareholders and the total authorised number of ordinary shares decreased from 32 097 to 32 082 shares. The total amount paid to acquire the shares was RUR 1 800 thousand with nominal value of RUR 18 thousand. Shares have been deducted from shareholders' equity.

14. Share Capital and Premium (continued)

The share premium represents the excess of contributions received over the nominal value of shares issued.

As of 31 December 2013 and 2014 the share capital of the Company is fully paid.

Dividends declared and paid during the year were as follows:

	2014	2013	2014	2013
	RUR thousand	**RUR thousand**	**USD thousand**	**USD thousand**
	Ordinary	**Ordinary**	**Ordinary**	**Ordinary**
Dividends payable at 1 January	1 391	-	43	-
Effect of changes in exchange rates on opening balance	-	-	(15)	-
Dividends declared during the year	-	479 988	-	14 665
Dividends paid during the year	(266)	(478 597)	(8)	(14 622)
Dividends payable at 31 December	1 125	1 391	20	43
Dividends per share declared during the year	-	14.951	-	0.457

According to the Group's Charter, dividends are paid on the basis of the resolution of the Annual General Shareholders meeting (AGSM) when the Board of Directors presents such a proposal. A dividends of RUR 279 979 thousand for 2012 were declared on 22 May 2013 and a dividends of RUR 200 008 thousand for the nine months ended 30 September 2013 were declared on 26 December 2013. RUR 478 597 thousand (USD 14 622 thousand) of declared dividends were paid in 2013 and RUR 266 thousand (USD 8 thousand) were paid in 2014.

All dividends are declared and paid in Russian Roubles. In accordance with Russian legislation, the Company distributes profits as dividends on the basis of financial statements prepared in accordance with Russian Accounting Rules (RAR). The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose an amount for distributable reserves in these financial statements. For 2013, the net statutory profit for the Company as reported in the published annual statutory reporting forms was RUR 450 707 thousand and the closing balance of the accumulated profit including the net statutory profit totalled RUR 810 503 thousand. However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose an amount for distributable reserves in these financial statements.

No dividends were declared during the year ended 31 December 2014.

15. Borrowings

The Group's borrowings are as follows:

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RUR thousand	**RUR thousand**	**USD thousand**	**USD thousand**
Current				
Short-term borrowings	736 485	1 000	13 091	31
Interest payables	1 355	-	24	-
Total borrowings	**737 840**	**1 000**	**13 115**	**31**

		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Bank	**Interest rate**	**RUR thousand**	**RUR thousand**	**USD thousand**	**USD thousand**
Raiffeisen Bank	Variable ,5,96%-33,26%	419 444	1 000	7 455	31
VTB	Fixed rate,11%-15%	180 000	-	3 200	-
MDM-Bank	Fixed rate,13,8%-26,8%	87 041	-	1 547	-
HSBC	Variable,13,52%-15,69%	50 000	-	889	-
Total Short-term borrowings		**736 485**	**1000**	**13 091**	**31**

The Group's short-term borrowings are denominated in Russian Roubles at 31 December 2014 and 31 December 2013.

16. Deferred Income Tax

Differences between IFRS and Russian and Ukrainian statutory taxation regulations give rise to temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% and 18% in Russian Federation and Ukraine respectively. (2013: Russian Federation -20%, Ukraine -18%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes refer to the same fiscal authority. The offset amounts are as follows:

In RUR thousands	**2014**	**2013**
Deferred tax assets:		
Deferred tax assets to be recovered later than 12 months	1 989	577
Deferred tax assets to be recovered within 12 months	207 886	46 723
Total deferred tax assets related to continued operations	**209 875**	**47 300**
Deferred tax liability:		
Deferred tax liabilities to be recovered after more than 12 months	(85 487)	(64 960)
Deferred tax liabilities to be recovered within 12 months	(248 728)	(27 409)
Total deferred tax liabilities related to continued operations	**(334 215)**	**(92 369)**
Deferred tax liabilities / (assets) (net)	**(124 340)**	**(45 069)**

16. Deferred Income Tax (continued)

In USD thousands	2014	2013
Deferred tax assets:		
Deferred tax assets to be recovered later than 12 months	35	18
Deferred tax assets to be recovered within 12 months	3 696	1 427
Total deferred tax assets related to continued operations	**3 731**	**1 445**
Deferred tax liability:		
Deferred tax liabilities to be recovered after more than 12 months	(1 520)	(1 985)
Deferred tax liabilities to be recovered within 12 months	(4 421)	(837)
Total deferred tax liabilities related to continued operations	**(5 941)**	**(2 822)**
Deferred tax liabilities / (assets) (net)	**(2 210)**	**(1 377)**

Gross movement on the deferred income tax account is as follows:

In RUR thousands	2014	2013
Beginning of the year	(45 069)	27 210
Profit and loss statement charge (Note 21)	(79 271)	(72 267)
Tax recognised in other comprehensive income	-	(12)
End of year	**(124 340)**	**(45 069)**

In USD thousands	2014	2013
Beginning of the year	(1 377)	895
Translation differences	414	(14)
Profit and loss statement charge (Note 21)	(1 247)	(2 258)
Tax recognised in other comprehensive income	-	-
End of year	**(2 210)**	**(1 377)**
Income statement charge transferred to discontinued operations	-	-
End of year	**(2 210)**	**(1 377)**

The movement in deferred income tax assets and liabilities during the year is as follows:

In RUR thousands

Deferred tax liabilities	**Fair value gains**	**Fixed assets**	**Work in progress**	**Forward contracts**	**Other**	**Total**
At 1 January 2013	**(2 009)**	**-**	**(20 933)**	-	-	**(22 942)**
Charged / (credited) to profit and loss	580	(63 529)	(2 847)	(1 913)	(1 706)	(69 415)
Charged in other comprehensive income	(12)	-	-	-	-	(12)
As of 31 December 2013	**(1 441)**	**(63 529)**	**(23 780)**	**(1 913)**	**(1 706)**	**(92 369)**
As of 31 December 2013	(1 441)	(63 529)	(23 780)	(1 913)	(1 706)	(92 369)
Charged / (credited) to the profit and loss	-	(20 517)	(2 488)	(220 400)	1 559	(241 846)
As of 31 December 2014	**(1 441)**	**(84 046)**	**(26 268)**	**(222 313)**	**(147)**	**(334 215)**

In USD thousands

Deferred tax liabilities	**Fair value gains**	**Fixed assets**	**Work in progress**	**Forward contracts**	**Other**	**Total**
At 1 January 2013	**(66)**	**-**	**(689)**	**-**	**-**	**(755)**
Translation differences	7	-	50	-	-	57
Charged / (credited) to the profit and loss	10	(1 935)	(88)	(58)	(52)	(2 123)
Charged in other comprehensive income	(1)	-	-	-	-	(1)
As of 31 December 2013	**(50)**	**(1 935)**	**(727)**	**(58)**	**(52)**	**(2 822)**
As of 31 December 2013	(50)	(1 935)	(727)	(58)	(52)	(2 822)
Translation differences	24	806	304	24	22	1 180
Charged / (credited) to the profit and loss	-	(365)	(44)	(3 918)	28	(4 299)
As of 31 December 2014	**(26)**	**(1 494)**	**(467)**	**(3 952)**	**(2)**	**(5 941)**

16. Deferred Income Tax (continued)

In RUR thousands

Deferred tax assets	Provisions	Impairment losses	Current year losses	Other	Total
At 1 January 2013	**8 813**	**15 943**	**-**	**22 802**	**47 558**
Charged / (credited) to profit and loss	10 520	(15 943)	-	5 165	(258)
As of 31 December 2013	**19 333**	**-**	**-**	**27 967**	**47 300**
At 31 December 2013	19 333	-	-	27 967	47 300
Charged / (credited) to profit and loss	4 685	-	156 097	1 793	162 575
As of 31 December 2014	**24 018**	**-**	**156 097**	**29 760**	**209 875**

In USD thousands

Deferred tax assets	Provisions	Impairment losses	Current year losses	Other	Total
At 1 January 2013	290	525	-	751	1 566
Translation differences	(21)	(38)	-	(54)	(113)
Charged / (credited) to profit and loss	321	(487)	-	158	(8)
As of 31 December 2013	**591**	**-**	**-**	**854**	**1 445**
At 31 December 2013	591	-	-	854	1445
Translation differences	(247)	-	-	(357)	(604)
Charged / (credited) to profit and loss	83	-	2 775	32	2 890
As of 31 December 2014	**427**	**-**	**2 775**	**529**	**3 731**

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

17. Trade and Other Payables

	31 December 2014 RUR thousand	31 December 2013 RUR thousand	31 December 2014 USD thousand	31 December 2013 USD thousand
Trade payables	3 325 695	1 328 181	59 115	40 580
Other accounts payable	20 524	20 412	364	624
Total financial payables within trade and other payables	**3 346 219**	**1 348 593**	**59 479**	**41 204**
Liabilities to personnel	67 695	51 340	1 203	1 568
Other accrued liabilities	36 375	28 187	647	861
Unused vacations reserve	85 715	83 448	1 524	2 550
Deferred sales	53 962	38 544	959	1 178
Advances from customers	20 980	20 301	373	620
Trade and other payables	**3 610 946**	**1 570 413**	**64 185**	**47 981**

Other accrued liabilities include following:

	31 December 2014 RUR thousand	31 December 2013 RUR thousand	31 December 2014 USD thousand	31 December 2013 USD thousand
Provision for the sales returns due to defects	14 318	12 937	255	395
Provision for the 2-weeks sales returns	16 122	10 850	287	332
Other accrued liabilities	5 935	4 400	105	134
Total other accrued liabilities	**36 375**	**28 187**	**647**	**861**

17. Trade and Other Payables (continued)

Movements in the provisions and accrued liabilities are as follows:

In RUR thousand	Provision for unused vacation	Other provisions	Total
Carrying amount at 1 January 2013	**49 181**	**18 431**	**67 612**
Additions charged to profit or loss	74 321	28 187	102 508
Utilisation of provision	(40 054)	(18 431)	(58 485)
Carrying amount at 31 December 2013	**83 448**	**28 187**	**111 635**
Carrying amount at 1 January 2014	**83 448**	**28 187**	**111 635**
Additions charged to profit or loss	114 208	36 375	150 583
Utilisation of provision	(111 941)	(28 187)	(140 128)
Carrying amount at 31 December 2014	85 715	36 375	122 090

In USD thousand	Unused vacations	Other	Total
Carrying amount at 1 January 2013	**1 619**	**607**	**2 226**
Translation differences	(116)	(44)	(160)
Additions charged to profit or loss	2 271	861	3 132
Utilisation of provision	(1 224)	(563)	(1 787)
Carrying amount at 31 December 2013	**2 550**	**861**	**3 411**
Carrying amount at 1 January 2014	**2 550**	**861**	**3 411**
Translation differences	(1 067)	(360)	(1 427)
Additions charged to profit or loss	2 030	647	2 677
Utilisation of provision	(1 990)	(501)	(2 491)
Carrying amount at 31 December 2014	**1 523**	**647**	**2 170**

As at 31 December 2014 trade payables in the amount of RUR 2 982 037 thousand (2013: RUR 1 093 508 thousand) of the above mentioned total are denominated in foreign currency – equivalent to EUR 4 thousand (2013: EUR 4 thousand), USD 42 889 thousand (2013: USD 32 623 thousand) and CNY 62 747 thousand (2013: CNY 4 733 thousand).

18. Other Current Liabilities

	31 December 2014 RUR thousand	31 December 2013 RUR thousand	31 December 2014 USD thousand	31 December 2013 USD thousand
VAT	100 173	152 832	1 781	4 670
Other taxes	1 024	868	18	26
Social security contributions (staff)	24 161	20 874	429	638
Personal income tax (staff)	13 785	10 823	245	331
Other current liabilities	**139 143**	**185 397**	**2 473**	**5 665**

19. Operating Income and Expenses by Nature

	2014 RUR thousand	2013 RUR thousand	2014 USD thousand	2013 USD thousand
Raw materials and consumables utilised	5 035 814	3 772 661	131 414	118 327
Rental and maintenance of retail premises	3 411 529	2 502 593	89 715	78 565
Personnel costs	1 276 160	1 033 098	33 524	32 371
Foreign exchange difference	615 301	(19 935)	14 826	(629)
Social security contributions	306 066	275 651	8 074	8 664
Depreciation of property, plant and equipment	241 901	169 509	6 374	5 322
Advertising, PR and marketing services	198 969	176 650	5 271	5 594
Transportation services	176 377	134 330	4 636	4 206
Law value inventory costs	174 688	164 615	4 698	5 153
Rental of warehouses and maintenance	118 301	84 496	3 077	2 657
Bank services	89 676	69 656	2 330	2 182
Samples production department (design of collection)	67 655	21 854	1 682	669
Rental of office premises and transport department and maintenance	67 506	47 338	1 774	1 486
Packaging	47 814	37 657	1 231	1 180
Office materials, internet, phone, postal	41 580	33 344	1 101	1 052
Travel expenses	32 351	24 382	898	763
Increase in account receivable provision	12 923	5 996	230	183
Insurance	11 892	8 232	315	265
Audit expenses and other consulting services	8 905	9 240	202	290
Taxes, other than income tax	7 178	9 547	191	303
Amortisation of intangible assets	6 975	4 589	181	144
Increase in provisions for slow moving and obsolete inventories	5 169	3 096	409	94
Other expenses	111 605	70 130	2 613	2 265
Less operating expenses related to discontinued operations	(723)	(362 848)	(21)	(11 885)
Total operating expenses	**12 065 612**	**8 275 881**	**314 745**	**259 221**

Increase in foreign exchange difference explained by significant exchange rate fluctuation during the financial year ended 31 December 2014.

20. Financial Income and Costs

	2014 RUR thousand	2013 RUR thousand	2014 USD thousand	2013 USD thousand
Interest expense on bank and other borrowings	(123 100)	(44 395)	(3 167)	(1 390)
Finance costs	**(123 100)**	**(44 395)**	**(3 167)**	**(1 390)**
Interest income on short-term bank deposits	-	4 500	-	139
Finance income	**-**	**4 500**	**-**	**139**
Net finance costs	**(123 100)**	**(39 895)**	**(3 167)**	**(1 251)**

21. Income Taxes

The income tax rate in the Russian Federation is 20% and in Ukraine – 18% (2013: 20% and 18% respectively)

	2014 RUR thousand	2013 RUR thousand	2014 USD thousand	2013 USD thousand
Current income tax expense				
Current tax on profit for the year	152	137 482	3	4 296
Deferred tax expense				
Origination of temporary differences (Note 16)	79 271	72 268	1 247	2 258
Total income tax expense (incl. discontinued operations)	**79 423**	**209 750**	**1 250**	**6 554**

Tax on the Group's profit before tax differs from the theoretical amount as follows:

	2014 RUR thousand	2013 RUR thousand	2014 USD thousand	2013 USD thousand
Profit before tax (incl. discontinued operation)	123 115	729 097	(1 103)	22 679
Tax calculated at the domestic tax rate (20%)	24 624	145 819	438	4 536
Effects of different tax legislation in Ukraine	38 328	-	681	-
Expenses, non-deductible for tax purposes	16 479	63 931	1 234	2 019
Income tax expenses (incl. discontinued operations)	**79 431**	**209 750**	**1 250**	**6 554**
Income tax credit (discontinued operation)	(8)	(9 567)	-	(312)
Income tax expenses (continuing operation)	**79 423**	**200 183**	**1 250**	**6 242**

In 2014 (none in 2013) based on permission of the tax authorities the Group offset income tax prepaid in amount of RR 31 965 thousand (USD 627 thousand) versus VAT payable.

22. Earnings per Share

The Group does not fall in scope of IAS 33 "Earnings per share", but disclose the information in accordance with the standard voluntary for the use of the shareholders.

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares issued during the year.

Earnings per share from continuing operations are calculated as follows:

	2014 RUR thousand	2013 RUR thousand	2014 USD thousand	2013 USD thousand
Profit attributable to equity holders of the Group from continuing operations	44 415	635 189	(2 333)	19 895
Total	**44 415**	**635 189**	**(2 333)**	**19 895**
Weighted average number of ordinary shares in issue	32 082	32 097	32 082	32 097
Weighted average number of ordinary shares for diluted earnings per share	32 096	32 097	32 096	32 097
Earnings per ordinary share RUR (USD) from continuing operations	**1 384**	**19 790**	**(73)**	**620**
Diluted earnings per ordinary share RUR (USD) from continuing operations	**1 384**	**19 790**	**(73)**	**620**

22. Earnings per Share (continued)

Earnings per share from discontinued operations are calculated as follows:

	2014 RUR thousand	2013 RUR thousand	2014 USD thousand	2013 USD thousand
Profit attributable to equity holders of the Group from discontinued operations	**(723)**	**(115 842)**	**(21)**	**(3 770)**
Total	**(723)**	**(115 842)**	**(21)**	**(3 770)**
Weighted average number of ordinary shares in issue	32 082	32 101	32 082	32 101
Weighted average number of ordinary shares for diluted earnings per share	32 096	32 097	32 096	32 097
Earnings per ordinary share RUR (USD) from discontinued operations	**(23)**	**(3 609)**	**(1)**	**(117)**
Diluted earnings per ordinary share RUR (USD) from discontinued operations	**(23)**	**(3 609)**	**(1)**	**(117)**

As at 31 December 2014 the Group had 32 082 ordinary shares. As at 31 December 2013 the Group had 32 097 ordinary shares.

23. Cash Generated from Operations

	Note	2014 RUR thousand	2013 RUR thousand	2014 USD thousand	2013 USD thousand
Profit before income tax (incl. discontinued operations)		123 115	729 097	(1 103)	22 679
Adjustments for:					
– Depreciation	8	241 901	169 509	6 374	5 322
– Amortisation	9	6 975	4 589	181	144
–Derivative financial instruments	25	(1 101 999)	(30 851)	(24 040)	(971)
– Finance costs– net	20	123 100	43 151	3 167	1 358
– Profit on disposal of assets held-for-sale		-	(153 825)	-	(4 830)
– Write off of property, plant and equipment	8	5 843	10 284	139	323
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):					
– Inventories	10	(1 408 993)	(335 369)	(37 209)	(10 530)
– Trade and other receivables	11	(181 536)	(208 936)	(5 369)	(6 560)
– Trade and other payables	17	2 040 533	419 738	53 849	13 179
– Other current liabilities	18	(46 255)	39 031	(2 074)	1 226
– Deferred sales		(19)	857	-	27
Unrealized foreign exchange difference		45 810	(22 395)	1 790	(490)
Cash generated / (used) from operations		**(151 525)**	**664 880**	**(4 295)**	**20 877**

Figures in the table above are disclosed including discontinued operation.

24. Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates, management is of the opinion that no material losses will be incurred in respect of any possible claims.

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

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

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

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

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

Operating lease commitments. As of 31 December 2014, the Group operated 534 own retail stores under operating lease agreements (31 December 2013: 471 own retail stores).

24. Contingencies and Commitments (continued)

The future minimum lease payments (including VAT) under non-cancellable operating leases are as follows:

	2 014	2013
In RUR thousands		
Not later than 1 year	4 141 490	2 469 560
Later than 1 year and not later than 5 years	8 366 773	4 626 516
Later than 5 years	3 142 493	645 344
Total operating lease commitments	**15 650 756**	**7 741 420**
In USD thousands		
Not later than 1 year	73 615	75 454
Later than 1 year and not later than 5 years	148 720	141 357
Later than 5 years	55 858	19 718
Total operating lease commitments	**278 194**	**236 529**

Management believes that there are no factors that can hinder the prolongation of the lease agreements and that the Group will not incur any extra expenditure related to prolongation or renewal of the lease agreements. According to the terms of most agreements, on their expiry the Group has a preferential right to renew the agreement for a new term.

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

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. In 2014 the Group breached certain covenants which related to the non-fulfilment of certain financial performance targets. Banks did not change the repayment term of loans and did not accrue any additional cost of borrowings.

25. Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective end of the reporting period. The contracts are short term in nature.

	2014		2013	
In thousands of Russian Roubles	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards: fair values, at the end of the reporting period, of				
- USD receivable on settlement (+)	4 781 850	-	1 157 960	-
- USD payable on settlement (-)	(3 670 284)	-	(1 148 393)	-
Net fair value of foreign exchange forwards	1 111 566	-	9 567	-

	2014		2013	
In thousands of USD	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards: fair values, at the end of the reporting period, of				
- USD receivable on settlement (+)	84 998	-	35 380	-
- USD payable on settlement (-)	(65 240)	-	(35 088)	-
Net fair value of foreign exchange forwards	19 758	-	292	-

Foreign exchange derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Forward contracts are for economic hedges of future outflow related to purchases of goods in USD and CNY.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2014 was equal to USD 74 700 thousand and Chinese Yuan (CNY) 25 450 thousand (31 December 2013: USD 34 900 thousand).

26. Financial and Capital Risk Management

26.1. Financial risk factors

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

Financial risk management function is undertaken centrally within the Group's Finance Department and is closely controlled by the Board of Directors.

a) Market risk

(i) Currency risk

Currency risk is, amongst other things, the risk that the value of financial instruments or future cash flows will vary due to changes in exchange rates.

The Group's currency risk associated with financial instruments is primarily related to loans and borrowings, cash and cash equivalents, trade and other receivable, accounts payable and derivatives. To reduce currency risk associated with financial instruments, any surplus liquidity is invested in local currency. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities or purchases are denominated in a currency which is not the entity's functional currency (mainly USD). During 2014, the Russian Rouble (RUR) has demonstrated significant fluctuations against major foreign currencies, including USD and CNY.

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

	At 31 December 2014				**At 31 December 2013**			
In thousands of Russian Roubles	**Impact on profit or loss**				**Impact on profit or loss**			
	weakening by 30%		strengthening by 30%		weakening by 10%		strengthening by 10%	
	USD	CNY	USD	CNY	USD	CNY	USD	CNY
Trade and other account Receivables	-	-	-	-	(1 023)	-	1 023	-
Cash and Cash equivalents	(28 081)	(687)	28 081	687	(12 701)	-	12 701	-
Derivative financial instruments	(701 293)	(30 696)	701 293	30 696	(115 796)	-	115 796	-
Total finance assets	**(729 374)**	**(31 383)**	**729 374**	**31 383**	**(129 520)**	**-**	**129 520**	**-**
Trade and other payables	723 852	170 061	(723 852)	(170 061)	106 771	1 470	(106 771)	(1 470)
Total finance liabilities	**723 852**	**170 061**	**(723 852)**	**(170 061)**	**106 771**	**1 470**	**(106 771)**	**(1 470)**
Net impact on profit or loss	**(5 522)**	**138 677**	**5 522**	**(138 677)**	**(22 749)**	**1 470**	**22 749**	**(1 470)**

	At 31 December 2014				**At 31 December 2013**			
In thousands of USD Roubles	**Impact on profit or loss**				**Impact on profit or loss**			
	weakening by 30%		strengthening by 30%		weakening by 10%		strengthening by 10%	
	USD	CNY	USD	CNY	USD	CNY	USD	CNY
Trade and other account Receivables	-	-	-	-	(31)	-	31	-
Cash and Cash equivalents	(499)	(12)	499	12	(388)	-	388	-
Derivative financial instruments	(12 466)	(546)	12 466	546	(3 538)	-	3 538	-
Total finance assets	**(12 965)**	**(558)**	**12 965**	**558**	**(3 957)**	**-**	**3 957**	**-**
Trade and other payables	12 867	3 023	(12 867)	(3 023)	3 262	45	(3 262)	(45)
Total finance liabilities	**12 867**	**3 023**	**(12 867)**	**(3 023)**	**3 262**	**45**	**(3 262)**	**(45)**
Net impact on profit or loss	**(98)**	**2 465**	**98**	**(2 465)**	**(695)**	**45**	**695**	**(45)**

26. Financial and Capital Risk Management (continued)

26.1. Financial risk factors (continued)

	31 December 2014			31 December 2013		
	USD thousand	**EUR thousand**	**CNY thousand**	**USD thousand**	**EUR thousand**	**CNY thousand**
Financial assets:						
Trade and other receivables	-	-	-	313	80	-
Cash and cash equivalents	1 664	1	253	3 881	-	23
Total financial assets	**1 664**	**1**	**253**	**4 194**	**80**	**23**
Financial liabilities:						
Trade and other payables	42 889	4	62 747	32 623	4	4 733
Total financial liabilities	**42 889**	**4**	**62 747**	**32 623**	**4**	**4 733**

(ii) Interest risk

Interest risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. Interest risk relates to the risk that the Group's exposure to changes in market interest rates may affect net profit. The Group's exposure to the risk of changes in interest rates relates to borrowings. The original term of the borrowings as of closing date is a maximum of twelve months from the closing date. The Group's borrowings as of closing date amounted to RUR 736 485 thousand (USD 13 091 thousand) (2013: RUR 1 000 thousand (USD 31 thousand)), refer to Note 15.

A general increase/decrease of one percent in interest rates would have decreased/increased the Group's profit after income tax for 2014 by approximately RUR 5 124 thousand (USD 91 thousand) (2013: RUR 4 795 thousand (USD 146 thousand). The effect on equity (retained earnings) would be the same as on post-tax profit.

(iii) Price risk

The Group is exposed to commodity price risk associated with raw material prices. This year the Group faced with the global rise of currency rates, which led to growth of purchase prices of imported goods which are in USD and CNY, while retail prices for the Group's customers remained the same level. In order to minimize the effect of purchase price-rise, the Group performs negotiations with vendors and suppliers to search for cheaper raw materials, that will also meet the adopted quality level of the Group's products. The Group diversifies placement of production orders and start cooperation with manufacturers and vendors outside China, where the Group purchase most of goods. These measures will enable the Group to control production costs more efficiently.

b) Credit risk

Credit risk is the risk that a party in a transaction may not be able to fulfil its commitment and, thereby, cause a loss. Credit risk arises from cash and cash equivalents as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'B' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

26. Financial and Capital Risk Management (continued)

26.1. Financial risk factors (continued)

b) Credit risk (continued)

The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets (Loans and receivables category):

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RUR thousand	**RUR thousand**	**USD thousand**	**USD thousand**
Cash and cash equivalents (Note 12)	240 057	259 444	4 267	7 927
Total financial assets within trade and other receivables (Note 11)	143 833	44 433	2 557	1 358
Total	**383 890**	**303 877**	**6 824**	**9 285**

The accounts receivable are distributed among a large number of customers with low amounts per customer. Management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by the Group's Chief Executive Office, Chief Financial Officer and financial department. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group seeks to maintain a stable funding base primarily consisting of borrowing, trade and other payables. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Chief Financial Officer and financial department.

The ratio of current assets and liabilities was as follows:

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RUR thousand	**RUR thousand**	**USD thousand**	**USD thousand**
Current assets	5 044 949	2 404 058	89 673	73 454
Current liabilities	4 489 335	1 758 482	79 798	53 729
Current liquidity ratio	**1,12**	**1,37**	**1,12**	**1,37**

The table below analyses the Group's financial liabilities by relevant maturity groupings based on the time remaining from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows at spot exchange rate.

26. Financial and Capital Risk Management (continued)

26.1. Financial Risk Factors (continued)

c) Liquidity risk (continued)

In thousand of RUR	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**More than 12 months**	**Total**
At 31 December 2014					
Short-term borrowings	340 840	-	397 000	-	737 840
Financial liabilities within trade and other payables (note 17)	637 634	2 707 460	1 125	-	3 346 219
Total financial liabilities	**978 474**	**2 707 460**	**398 125**	**-**	**4 084 059**
At 31 December 2013					
Short-term borrowings	-	1 000	-	-	1 000
Financial liabilities within trade and other payables (note 17)	587 720	743 954	15 528	1 391	1 348 593
Total financial liabilities	**587 720**	**744 954**	**15 528**	**1 391**	**1 349 593**
In thousand of USD					
At 31 December 2014					
Short-term borrowings	6 058	-	7 057	-	13 115
Financial liabilities within trade and other payables (note 17)	11 334	48 125	20	-	59 479
Total financial liabilities	**17 393**	**48 125**	**7 077**	**-**	**72 595**
At 31 December 2013					
Short-term borrowings	-	31	-	-	31
Financial liabilities within trade and other payables (note 17)	17 957	22 730	474	43	41 204
Total financial liabilities	**17 957**	**22 761**	**474**	**43**	**41 235**

d) Financial assets carried at amortised cost.

As at 31 December 2014 and 31 December 2013, the fair value of financial instruments held by the Group did not materially differ from their recorded book values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair value of loans and receivables is assessed as the present value of expected cash flows, discounted at the current market interest rate for similar borrowers.

26.2. Capital Management Policy

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

26. Financial and Capital Risk Management (continued)

26.2. Capital Management Policy (continued)

The Group monitors and manages its debt using the ratio of net debt (defined as total borrowings and retirement benefit obligations less cash and cash equivalents) to EBITDA (as defined in note 6). The net debt/EBITDA ratio is calculated as net debt at the year end to EBITDA for the current period. The net debt/EBITDA ratio is calculated using IFRS accounting data. The Group's policy is to maintain the net debt/EBITDA ratio within a range of 0.3-2.5. As of 31 December 2014, the net debt/EBITDA ratio was 1 (31 December 2013: negative 0.3).

27. Fair Value of Financial Instruments

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

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period.

Financial instruments carried at fair value. Fair value of foreign exchange forward contracts disclosed as derivative financial instruments in the consolidated statement of financial position and was categorised as Level 2 as at 31 December 2014 and 31 December 2013. Principles of fair valuation are disclosed in Note 3.23. The amount of derivative financial instruments disclosed in Note 25.

The fair value of derivative financial instruments is estimated based on the current fair value of similar instruments that are available on active market and adjusted on credit risk of the Group.

Non-financial assets carried at fair value. Land and buildings included in property, plant and equipment and investment property are stated in the consolidated statement of financial position at fair value which is categorised as Level 3. Fair value is measured on based on value of assets of a similar location and category. Total area, usage restrictions and asset's location are significant assumptions used in valuation of the assets. There is no significant impact on the fair value in one of the assumptions would be changed.

b) Assets and liabilities not measured at fair value but for which fair value is disclosed. The following table shows current value of financial instruments for each class of financial instruments and level in the fair value hierarchy into which the fair value measurements are categorized.

in RUR thousands	**Level 3**	
Financial assets	**31 December 2014**	**31 December 2013**
Trade and other receivables	143 833	44 433
Cash and cash equivalents	240 057	259 444
Total financial assets	**383 890**	**303 877**
Financial liabilities		
Trade and other payables	3 346 219	1 348 593
Borrowings	737 840	1 000
Retirement benefit obligations	2 033	2 033
Total financial liabilities	**4 086 092**	**1 351 626**

28. Fair Value of Financial Instruments (continued)

in USD thousands	Level 3	
Financial assets	**31 December 2014**	**31 December 2013**
Trade and other receivables	2 557	1 358
Cash and cash equivalents	4 267	7 927
Total assets	**6 824**	**9 285**
Financial liabilities		
Trade and other payables	59 479	41 204
Borrowings	13 115	31
Retirement benefit obligations	36	62
Total financial liabilities	**72 630**	**41 297**

The fair values in level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value is estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

As basic data for financial instruments fair value measurement in level 3 of fair value hierarchy, the Company applies weighted average of capital cost (WACC) for valuations. The used WACC was 17% in 2013 and 2014. Fluctuations in WACC for 10% would not have significant impact on fair value of financial assets and liabilities disclosed about due to all of them are short-term.

28. Events after Reporting Date

In January 2015 the Group terminated forward contracts with HSBC and Raiffeisen bank. The total consideration received by the Group from contract termination was RUR 1 285 412 thousand (USD 20 570 thousand) which of RUR 335 750 thousand (USD 5 968 thousand) related to foreign exchange gain included in consolidated statement of profit or loss and other comprehensive income in 2015.