

We certify that the attached financial statements and Directors' and Auditors' Report are a true copy of those presented at the company's annual general meeting.

  
.....  
Director

  
.....  
Secretary

Not for Official Use

**BOC Russia (Holdings) Limited**

31 December 2013

# BOC Russia (Holdings) Limited

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## FINANCIAL STATEMENTS for the year ended 31 December 2013

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# **BOC Russia (Holdings) Limited**

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## **GENERAL INFORMATION**

### **Board of Directors**

Piskov Georgy

Michaelas Miltiades (appointed 26/11/2013)

Zographakis Ioannis (appointed 27/11/2014)

Patsalides Christodoulos (appointed 15/4/2013, resigned 26/11/2013, reappointed 27/11/2014)

Katsaros Constantinos (appointed 26/11/2013, resigned 27/11/2014)

Anshakova Anjelica (appointed 26/11/2013, resigned 27/11/2014)

Stylianou Aristos (appointed 15/4/2013, resigned 26/11/2013)

Stasopoulos Fivos (appointed 15/4/2013, resigned 26/11/2013)

Kypri Yiannis (resigned 15/4/2013)

Hadjimitsis Christis (resigned 15/4/2013)

Pechlivanides Yiannis (resigned 15/4/2013)

### **Secretary**

Michaelas Miltiades (appointed 26/11/2013)

Stylianou Aristos (appointed 15/4/2013, resigned 26/11/2013)

Hadjimitsis Christis (resigned 15/4/2013)

### **Registered office**

51 Stasinou Street

Agia Paraskevi

Strovolos 2002

Nicosia

### **Independent Auditors**

Ernst & Young Cyprus Limited

# **BOC Russia (Holdings) Limited**

## **DIRECTORS' REPORT**

The Board of Directors presents to the shareholders its annual report together with the audited financial statements of the Company for the year ended 31 December 2013.

### **Principal activities and expected development**

The principal activity of BOC Russia (Holdings) Limited (the "Company"), which is not expected to change in the foreseeable future, is the holding of investments in subsidiary companies of the Bank of Cyprus Group, and specifically of CB Uniastrum Bank LLC and of Leasing Company Uniastrum Leasing LLC.

### **Branches**

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

### **Financial results**

As shown on page 6 of the financial statements, during the year 2013 the Company incurred a net loss of RUB 2.036.552 thousand (2012: loss of RUB 10.071.247 thousand), which will be transferred to accumulated losses.

### **Share capital**

There were no changes in the share capital of the Company during the year.

### **Events after the balance sheet date**

Significant events after the balance sheet date are disclosed in note 14 of the financial statements.

### **Risk Management**

Like other organisations, the Company is exposed to risks, the most significant of which are liquidity risk, currency risk and credit risk. Detailed information related to risk management of the Company is disclosed in note 12 of the financial statements.

### **Board of Directors**

The Directors throughout the year 2013 and for the period up to the date of this report are set out on page 2.

There is no specific provision in the Company's Articles of Association for the rotation of Directors. Consequently they continue to offer their services until they resign or are removed by the shareholders.

### **Independent Auditors**

The independent auditors of the Company, Ernst & Young Cyprus Limited, have expressed their willingness to continue to offer their services. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.



**Michaelas Miliades**

Secretary

2 March 2015



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## Independent Auditor's Report

### To the Members of BOC Russia (Holdings) Ltd

#### Report on the Financial Statements

We have audited the accompanying financial statements of BOC Russia (Holdings) Limited (the "Company") on pages 6 to 19 which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors' Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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



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### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of BOC Russia (Holdings) Limited as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

### **Report on Other Legal Requirements**

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on page 3 is consistent with the financial statements.

### **Other Matter**

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

Savvas Pentaris  
Certified Public Accountant and Registered Auditor  
for and on behalf of

**Ernst & Young Cyprus Limited**  
Certified Public Accountants and Registered Auditors

Nicosia  
2 March 2015

# BOC Russia (Holdings) Limited

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2013

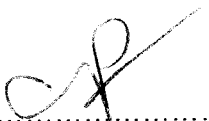
		2013 RUB' 000	2012 RUB' 000
	Notes		
<b>Revenue</b>			
Interest income	6	307	289
Net foreign exchange profit		-	358
<b>Total revenue</b>		<u>307</u>	<u>647</u>
<b>Expenses</b>			
Administrative expenses	3	(159)	(132)
Interest expense and bank charges	10	(212)	(234)
Net foreign exchange loss		(110)	-
Change in the fair value of derivative financial instruments	9	(125)	(143)
Impairment of investments in subsidiary companies	5	(2.036.253)	(10.071.385)
<b>Total expenses</b>		<u>(2.036.859)</u>	<u>(10.071.894)</u>
<b>Loss before taxation</b>		(2.036.552)	(10.071.247)
Tax	4	-	-
<b>Net loss for the year</b>		<u>(2.036.552)</u>	<u>(10.071.247)</u>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<u>(2.036.552)</u>	<u>(10.071.247)</u>

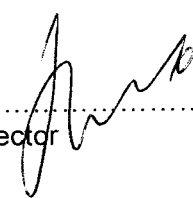
# BOC Russia (Holdings) Limited

## STATEMENT OF FINANCIAL POSITION

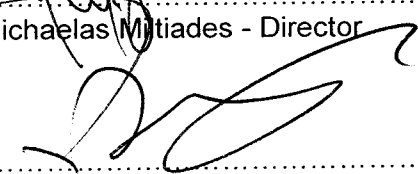
as at 31 December 2013

	Notes	2013 RUB' 000	2012 RUB' 000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiary companies	5	7.594.004	9.630.257
Loan receivable from related party	6	4.545	4.356
<b>Total non-current assets</b>		<b>7.598.549</b>	<b>9.634.613</b>
<b>Current assets</b>			
Cash at bank	8	378	356
<b>Total current assets</b>		<b>378</b>	<b>356</b>
<b>Total assets</b>		<b>7.598.927</b>	<b>9.634.969</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	7	7.211	7.211
Share premium		19.804.974	19.804.974
Accumulated losses		(12.219.210)	(10.182.658)
<b>Total equity</b>		<b>7.592.975</b>	<b>9.629.527</b>
<b>Current liabilities</b>			
Bank overdraft	8	3.117	3.113
Accrued expenses		255	144
Derivative financial instruments	9	1.225	1.582
Other creditors	11	1.355	603
<b>Total current liabilities</b>		<b>5.952</b>	<b>5.442</b>
<b>Total equity and liabilities</b>		<b>7.598.927</b>	<b>9.634.969</b>

  
Patsalides Christodoulos - Director

  
Piskov Georgy - Director

  
Michaelas Mitziades - Director

  
Zographakis Ioannis - Director



## BOC Russia (Holdings) Limited

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2013

	Share capital RUB' 000	Share premium RUB' 000	Accumulated losses RUB' 000	Total RUB' 000
On 1 January 2012	7.211	19.804.974	(111.411)	19.700.774
Total comprehensive loss for the year	-	-	(10.071.247)	(10.071.247)
On 31 December 2012	7.211	19.804.974	(10.182.658)	9.629.527
Total comprehensive loss for the year	-	-	(2.036.552)	(2.036.552)
On 31 December 2013	7.211	19.804.974	(12.219.210)	7.592.975

The companies, tax residents in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution for the Cyprus Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter, is payable on such deemed dividend distribution to the extent that the shareholders of the Company (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are tax residents of Cyprus. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year. This special defence contribution is paid by the Company on account of the shareholders.

# BOC Russia (Holdings) Limited

## STATEMENT OF CASH FLOWS for the year ended 31 December 2013

	Notes	2013 RUB' 000	2012 RUB' 000
<b>Cash flows from operating activities</b>			
Loss before tax		(2.036.552)	(10.071.247)
<i>Adjustments for :</i>			
Change in fair value of derivative financial instruments		125	143
Impairment of investments in subsidiary companies	5	2.036.253	10.071.385
<i>Change in:</i>			
Fair value of derivative financial instruments		(482)	(686)
Increase in receivables		(189)	(126)
Increase in accrued expenses		111	29
Increase/(decrease) in other creditors		752	(24)
<b>Net cash flow from /(used in) operating activities</b>		<u>18</u>	<u>(526)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		18	(526)
Cash and cash equivalents as at 1 January		<u>(2.757)</u>	<u>(2.231)</u>
<b>Cash and cash equivalents as at 31 December</b>	8	<u>(2.739)</u>	<u>(2.757)</u>

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# **BOC Russia (Holdings) Limited**

## **NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2013**

### **1. Information about the Company**

The financial statements of BOC Russia (Holdings) Limited for the year ended 31 December 2013 were authorised for issue by a resolution of the Board of Directors on 2 March 2015.

The Company was incorporated in Cyprus under the Cyprus Companies Law and is a subsidiary of Bank of Cyprus Public Company Ltd (owns 80% of the share capital of the Company). The registered office of the Company is at 51 Stasinou street, Agia Paraskevi, Strovolos, 2002, Nicosia, Cyprus.

#### **Principal activities**

The principal activity of the Company is the holding of investments in subsidiary companies of the Bank of Cyprus Group, specifically of CB Uniastrum Bank LLC and of Leasing Company Uniastrum Leasing LLC.

### **2. Summary of significant accounting policies**

#### **Basis of preparation**

The financial statements have been prepared on a historical cost basis except for the derivative financial instrument that has been measured at fair value.

#### **Statement of compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

#### **Significant judgements and estimates**

The preparation of financial statements in accordance with the International Accounting Standards requires the Company's Board of Directors to make judgements, estimates and assumptions that have a material impact on the amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the preparation of the financial statements, and the reported revenues and expenses during the reported period. Therefore actual results may differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the period in which they arise.

In applying the accounting policies of the Company, management has made the following judgements and estimates:

#### **• Going concern**

The Board of Directors of the Company has assessed the ability of the Company to continue as a going concern and is satisfied that because of its low operating expenses and the fact that the Company's shareholders have expressed their willingness to continue to provide the Company with the necessary funding, the Company has the financial assets to continue its operations in the foreseeable future. Therefore, the financial statements continue to be prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS**

**as at 31 December 2013**

**2. Summary of significant accounting policies (continued)**

**• Taxation**

The determination of income tax may require significant estimates. For specific transactions and calculations the determination of the final taxation is uncertain during the ordinary course of business. The Company recognises a provision for tax based on estimates of whether additional tax will arise. Where the outcome of the final tax is different from the amounts that were initially recorded, such differences will impact the corporation tax and deferred tax provisions in the period where the final tax determination was made.

**• Impairment of investments in subsidiary companies**

The key judgement which was made during the preparation of financial statements concerns the impairment of the Company's investments in subsidiary companies.

The Company periodically evaluates the recoverability of its investments in subsidiaries whenever there are indicators of impairment. Indicators of impairment include factors such as a reduction in revenue, profits or cash flows or material adverse changes in economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investments in subsidiaries may be impaired, the estimated future cash flows associated with these subsidiaries are compared with their carrying value at the reporting date to determine whether impairment in the carrying value is required.

**• Derivative financial instruments**

The best evidence of fair value is a quoted price in an active market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed use only observable market data and so the reliability of the fair value measurement is relatively high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

## **NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2013**

### **2. Summary of significant accounting policies (continued)**

#### **Adoption of new and revised IFRSs**

From 1 January 2013, new IFRSs interpretations and amendments became effective. These amendments and interpretations did not have material impact on the financial statements of the Company.

#### **Standards, interpretations and amendments to published standards that are not yet effective**

Up to the date of approval of the financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted. When they become effective, they are not expected to have any material impact on the financial statements of the Company.

#### **Consolidation**

The Company did not prepare consolidated financial statements since it is a subsidiary of the Bank of Cyprus Public Company Ltd (owns 80% of the share capital of the Company), that is incorporated in Cyprus. Consolidated financial statements are prepared in accordance with International Financial Reporting Standards, from Bank of Cyprus Public Company Ltd, and are available at its registered address which is 51 Stasinou street, Agia Paraskevi, Strovolos, 2002, Nicosia, Cyprus. The shareholders owning the remaining 20% of the share capital of the Company have been informed that the Company will not prepare consolidated financial statements and have no objections.

#### **Foreign currency translation**

The financial statements are presented in Russian Roubles which is the functional and presentation currency of the Company.

Transactions in foreign currencies are recognized based on the current exchange rate between the functional currency and the foreign currency at the date of the transaction.

Monetary items in foreign currency are converted with the exchange rate at the date of the statement of financial position. All differences are recognized at "Net exchange profit/(loss)" in the statement of comprehensive income.

Non-monetary items that are measured on a historical cost basis in foreign currency are converted with the exchange rate at the date of the transaction.

#### **Financial instruments**

##### **(i) Date of Recognition**

Purchases or sales of financial assets, where delivery is required within a time frame established by regulations or by market convention, are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

# **BOC Russia (Holdings) Limited**

## **NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2013**

### **2. Summary of significant accounting policies (continued)**

#### **Financial instruments (continued)**

##### **(ii) Initial recognition and measurement of financial instruments**

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value. In the case of financial assets and liabilities not measured at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue are included at initial recognition.

##### **iii) Investments available for sale**

These investments can be sold because of the changes in market risks or for liquidity purposes.

After the initial recognition, the investments available for sale are measured at fair value, except in case of investments in shares that are not quoted in an active market and whose fair value cannot be measured reliably. These investments are measured at cost. Profits or losses from the change at fair value are recognized directly in equity, in the Revaluation Reserve. When the investment is sold, the cumulative gain or loss previously recognized in equity is transferred to the statement of comprehensive income.

##### **(iv) Derivative financial instruments**

Derivative financial instruments are recognized at fair value and are classified as assets when their fair value is positive and as liabilities when their fair value is negative. Subsequently, derivative financial instruments are measured at their fair value. Changes in fair value of derivatives are included in the statement of comprehensive income in the Net foreign exchange profit/(loss) when they are related to foreign currency derivatives and in Net change in the fair value of derivatives for other derivatives. Interest income and expenses are included in the related categories in the statement of comprehensive income.

##### **(v) Investments in subsidiary companies**

Investments in subsidiary companies are initially measured at cost which represents the fair value of the consideration given for the acquisition of these entities. After initial recognition, investments in subsidiaries are measured at cost less impairment.

The Company assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is required when the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of fair value less cost to sell and its value in use.



# BOC Russia (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

### 2. Summary of significant accounting policies (continued)

#### Tax

The tax rates and tax laws used to determine income tax are those that are enacted or substantively enacted at the reporting date in Cyprus, the country where the Company operates and generates taxable income. Deferred tax is recognised using the liability method.

Deferred tax liabilities are recognised for all taxable temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date, which will give rise to taxable amounts in future periods. Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unutilised tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry-forward of unutilised tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise all or part of the deductible temporary differences or tax losses.

Deferred tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities, after taking into account the tax rates and legislation that have been enacted or substantially enacted by the reporting date.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

#### Share capital

The difference between the issue price of share capital and its nominal value is recognised as share premium. Expenses related directly with the increase of share capital are deducted from equity.

### 3. Administrative expenses

	2013	2012
	RUB' 000	RUB' 000
Audit fees - current year	108	100
- previous years	-	(7)
Other professional expenses	51	39
	<u>159</u>	<u>132</u>

## BOC Russia (Holdings) Limited

### NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

#### 4. Tax

The Company is subject to income tax in Cyprus on its taxable profits at a rate of 12,5% (2012: 10%).

The reconciliation between the tax expenses and the loss before tax as estimated using the current tax rates is set out below:

	2013	2012
	RUB' 000	RUB' 000
Loss before tax	(2.036.552)	(10.071.247)
Tax at the normal tax rates in Cyprus, for the year	(254.569)	(1.007.125)
Tax effect of:		
- Non taxable income	-	-
- Expenses not deductible	254.561	1.007.169
- Losses carried forward/brought forward	8	(44)
Tax as per statement of comprehensive income	-	-

On 31 December 2013 the Company had tax losses of RUB 184.841 (2012: losses of RUB 120.841), which can be used against future taxable profits as indicated in the table below. No deferred tax asset has been recognised for these losses as it is not considered probable that the Company will generate taxable profits against which the losses can be utilized.

Tax year	Total losses RUB	Expiry date
2009	145.365	2014
2010	132.831	2015
2011	173.000	2016
2012	-	2017
2013	64.000	2018



# BOC Russia (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

### 5. Investments in subsidiary companies

The Company holds 100% in CB Uniastrum Bank LLC and Leasing Company Uniastrum Leasing LLC, which operate as a commercial bank and a leasing company in Russia, respectively.

Company	Country	Activities	Shareholding		Carrying Value	
			2013 %	2012 %	2013 RUB'00	2012 RUB'000
CB Uniastrum Bank LLC	Russia	Commercial Bank	100	100	7.594.004	9.630.257
Leasing Company Uniastrum Leasing LLC	Russia	Leasing	100	100	-	-
					<u>7.594.004</u>	<u>9.630.257</u>

On 31 December 2013 the Company has tested its investments in subsidiaries for impairment and decided to recognize a further impairment of its investment in CB Uniastrum Bank LLC amounting to RUB 2.036.253 thousand (2012: RUB 10.064.385 thousand). During 2012 the Company also recognized an impairment of RUB 7.000 thousand in relation to its investment in Leasing Company Uniastrum Leasing LLC, reducing its carrying value to nil.

### 6. Loan receivable from related party

The loan receivable represents a loan of EUR100.000 granted by the Company to a related company, Hydrobius Ltd. The loan is not secured, is payable in annual payments from 31 December 2012 with an interest rate of 7% per annum and it is expected to be repaid on 31 January 2022.

### 7. Share capital

*Authorised*

	2013	2012
	Number	Number
Ordinary shares at USD 2,69 each	<u>125.000</u>	<u>125.000</u>

*Issued and fully paid*

	2013		2012	
	Number	RUB	Number	RUB
On 1 January and 31 December	<u>111.020</u>	<u>7.211.178</u>	<u>111.020</u>	<u>7.211.178</u>

# BOC Russia (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2013

### 8. Cash and cash equivalents

The cash at bank and bank overdraft represent the balance of the current accounts the Company maintains with Bank of Cyprus Public Company Ltd. The bank overdraft is not secured, is payable on demand and bears interest at 6,42% per annum (2012: 6,75% per annum).

	2013	2012
	RUB' 000	RUB' 000
Cash at bank	378	356
Bank overdraft	(3.117)	(3.113)
	(2.739)	(2.757)

### 9. Derivative financial instruments

On 22 December 2011, the Company had entered into a total return swap with a related company, Hydrobius Ltd, with a term of 4 years.

Under the terms of the agreement:

- 1) The Company will receive from Hydrobius Ltd variable quarterly amounts equal to any dividends (net of 5% deducted at source) from the subsidiary of MC Investments Asset Management LLC less an administration fee of 0,01%.
- 2) The Company pays a fixed amount of €15.000 (approximately RUB 678.000) less an administration fee of 0,01% as mentioned in (1) above.
- 3) The Company has the option to terminate the agreement before its expiry. In case of early termination from the Company, Hydrobius Ltd shall transfer the shares of its subsidiary to the Company and any related amounts remaining payable as mentioned in (1) above.

### 10. Transactions with related parties

Other than the bank overdraft with Bank of Cyprus Public Company Ltd which is disclosed in note 8 and the loan to Hydrobius Ltd which is disclosed in note 6, the Company has entered into a total return swap with Hydrobius Ltd as disclosed in note 9.

The interest and other bank charges during the year amounted to RUB 212 thousand (2012: RUB 234 thousand).

The decisions for the price and terms of any transaction entered into with related parties are made at the time of each transaction and are approved by the Company's Board of Directors.

# BOC Russia (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2013

### 11. Other creditors

Other creditors represent an amount payable to Hydrobius Ltd under the total return swap agreement (refer to note 9). This amount is unsecured, payable on demand and bears no interest.

### 12. Risk Management

Like any organization, the Company is exposed to risks with respect to its financial instruments, the most important of which are liquidity risk, currency risk and credit risk.

#### *Liquidity risk*

Liquidity risk refers to potential losses that may arise from a failure of the Company to meet its cash obligations.

The Company does not consider liquidity risk to be significant because the Company's majority shareholder has expressed its willingness to provide the necessary funding to support the Company if necessary.

#### *Currency risk*

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below sets out the Company's foreign exchange risk resulting from its foreign exchange exposures. The analysis assumes reasonable possible changes in the exchange rates based mainly on historical price fluctuations.

	Change in exchange rate	Impact on profit after tax and equity
2013	%	RUB' 000
US Dollar	+8	33
US Dollar	-8	(28)
Euro	+8	(92)
Euro	-8	92

The Company does not undertake any hedging for currency risk.

#### *Credit risk*

In the ordinary course of its business, the Company is exposed to credit risk, which is monitored through various control mechanisms to prevent the undue risk concentrations.

Credit risk is the risk that arises from the potential failure of one or more counterparties to fulfill their obligations to the Company.

**NOTES TO THE FINANCIAL STATEMENTS**  
as at 31 December 2013

**12. Risk Management (continued)**

*Credit risk (continued)*

The maximum exposure to credit risk is analyzed below:

	2013 RUB '000	2012 RUB '000
Cash and cash equivalents	378	356
Loan receivable from related party	4.545	4.356
<b>Maximum exposure to credit risk</b>	<b>4.923</b>	<b>4.712</b>

**13. Capital Management**

The Company manages capital on the basis of total equity as it appears on its balance sheet. The Company's primary objective regarding capital management is to ensure that it has sufficient capital in order to finance its activities.

The Company manages its capital structure and makes adjustments, in the light of changes of the economic environment in which it operates and the capital requirements of its subsidiary. In order to maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return of capital to the shareholders or issue new shares.

During the year, there were no other changes in the objectives, policies or processes for managing capital.

**14. Events after the reporting date**

**Deed of guarantee with Finerose Properties Limited**

On 1 October 2014, the Company entered as guarantor into a deed of guarantee and indemnity with Finerose Properties Limited ('Finerose'), under which the Company agreed to indemnify Finerose in full and on demand against any losses arising in connection with Finerose's loans to MC Investment Assets Management LLC incorporated in the Russian Federation. For the purpose of the agreement, the guarantee and the indemnity provided covers all present and future payment obligations of MC Investment Assets Management LLC to Finerose.

As at 31 December 2014 the total amount guaranteed by the Company is approximately RUB 12.376 million and for which the Company assessed that it has incurred a loss of RUB 7.488 million.