BLUECASTLE ENTERPRISES LIMITED

Consolidated Audited Financial Statements

For the year ended 31 December 2014

Company registration number: 04128720

CONTENTS

BLUECASTLE ENTERPRISES LIMITED
STRATEGIC REPORT

The director presents her strategic report with the audited financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITY

The principal activity of the group is that of the operation of the professional football club, PFC CSCA. The club's activities are related to the development of youth football and the operations of the professional football team participating in competitions organized by the Football Union of Russia ("FUR") and Russian Football Premier League ("RFPL") as well as in international football tournaments.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The results for the year and the financial position at the year end for the Group were considered satisfactory by the directors.

Turnover for the Group's main trading subsidiary, CJSC Professional Football Club CSCA was $80,880,000 for the year.

The Group made gain on disposal of players' registrations totalling to $6,148,000.

The Group acquired various new players during the year and the value of the players' registration rights is $25,240,000 at the year end.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the Group's business and the execution of its strategy are subject to a number of risks. The key operating risks affecting the Group are described in note 30 to the financial statements. The key financial risks affecting the Group are described in note 29 to the financial statements.

KEY PERFORMANCE INDICATORS

The following is a summary of key performance indicators:

	2014 $'000	2013 $'000
Revenue	80,880	66,895
Operating loss	(9,685)	(32,911)
Gain on disposal of players' registrations	6,148	3,935
Players' registration rights	25,240	46,201
Equity	43,917	55,498

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income for the period is set out on page 8.

No dividends were distributed for the year ended 31 December 2014.

....
J. Westmoreland - Director

Date: 28 | 8 | '15

BLUECASTLE ENTERPRISES LIMITED
REPORT OF THE DIRECTOR

The director presents her report with the audited financial statements of the Group for the year ended 31 December 2014.

DIRECTOR
J Westmoreland has held office during the period from 1 January 2014 to the date of this report.

REGISTERED OFFICE
Ascot House, 2 Woodberry Grove, London N12 0FB

STATEMENT OF DIRECTOR'S RESPONSIBILITIES
The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. She is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:

....
J. Westmoreland - Director

Date: 28/8/15

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BLUECASTLE ENTERPRISES LIMITED

We have audited the financial statements of Bluecastle Enterprises Limited for the year ended 31 December 2014 which comprise the Group and Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Company Statements of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Director's Responsibilities set out on page 3, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going Concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's ability to continue as a going concern. The company incurred a net loss of $3,409,000 during the year ended 31 December 2014 and, at that date, the Group's current liabilities exceeded its current assets by $9,917,000. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BLUECASTLE ENTERPRISES LIMITED

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us: or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Steven Landes

Steven Landes (Senior Statutory Auditor)
for and on behalf of S H Landes LLP
Statutory Auditors
3rd Floor Fairgate House
78 New Oxford Street
London
WC1A 1HB
Date: 28\8\15

BLUECASTLE ENTERPRISES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of US dollars	Note	Group 31 December 2014	Group 31 December 2013
ASSETS			
Non-current assets			
Property and equipment	8	141,000	110,097
Investment Property	9	110,418	81,393
Players registration rights	10	25,240	46,201
Land rights	11	8,229	14,508
Other non-current assets	15	2,067	9,254
Total non-current assets		**286,954**	**261,453**
Current assets			
Accounts receivable	14	9,141	8,293
Taxes receivable		2,433	965
Financial Investments	16	4,632	6,879
Prepayment and other current assets	15	959	1,546
Cash and cash equivalents	17	7,912	3,400
Total current assets		**25,077**	**21,083**
TOTAL ASSETS		**312,031**	**282,536**
EQUITY			
Ordinary shares	26	202,502	202,502
Additional capital		55,596	55,596
Retained earnings		(212,656)	(209,261)
Foreign exchange translation reserve		(5,153)	408
		40,289	49,245
Non –controlling interests		3,628	6,253
TOTAL EQUITY		**43,917**	**55,498**
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	21	2,228	2,534
Loans from related parties	28	96,723	95,761
Loans and borrowings	31	134,169	74,138
Total non-current liabilities		**233,120**	**172,433**
Current liabilities			
Loans from related parties	28	2,284	15,400
Loans and borrowings	31	6,217	1,661
Accounts payable and accruals	18	14,871	24,105
Payroll and related obligations	19	9,196	11,011
Taxes payable	20	2,152	2,023
Deferred revenue		274	405
Total current liabilities		**34,994**	**54,605**
TOTAL LIABILITIES		**268,114**	**227,038**
TOTAL EQUITY AND LIABILITIES		**312,031**	**282,536**

The financial statements on pages 6 to 36 were authorised for issue by the director on 25/1/15 and were signed on behalf of the board.

J. Westmoreland
Company registration number: 04128720

BLUECASTLE ENTERPRISES LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION

In thousands of US dollars	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Investments	13	139,286	151,712
Total non-current assets		**139,286**	**151,712**
Current assets			
Cash and cash equivalents	17	4	4
Total current assets		**4**	**4**
TOTAL ASSETS		**139,290**	**151,716**
EQUITY			
Ordinary shares	26	202,502	202,502
Additional capital		49,052	49,052
Retained earnings		(208,774)	(195,720)
TOTAL EQUITY		**42,780**	**55,834**
LIABILITIES			
Non-current liabilities			
Loans from related parties	28	96,306	95,761
Total non-current liabilities		**96,306**	**95,761**
Current liabilities			
Loans from related parties	28	73	20
Loans and borrowings	31	49	53
Accounts payable and accruals	18	82	48
Total current liabilities		**204**	**121**
TOTAL LIABILITIES		**96,510**	**95,882**
TOTAL EQUITY AND LIABILITIES		**139,290**	**151,716**

BLUECASTLE ENTERPRISES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of US dollars	Note	Year ended 31 December 2014	Year ended 31 December 2013
Revenue	22	80,880	66,895
Operating expenses	23	(90,565)	(99,806)
Operating loss		**(9,685)**	**(32,911)**
Net foreign exchange gain		8,778	4,702
Net finance costs	24	(7,765)	(14,050)
Gain on disposal of player registrations	25	6,148	3,935
Gain on players' loans		144	664
Gain / (Loss) on disposal of property and equipment		76	(5)
Loss before income tax		**(2,304)**	**(37,665)**
Income tax expense	21	(1,105)	(370)
Loss for the year		**(3,409)**	**(38,035)**
Other comprehensive income			
Foreign exchange translation		(8,172)	(2,416)
Other comprehensive (loss) / income for the year		**(8,172)**	**(2,416)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(11,581)**	**(40,451)**
Loss for the year			
Attributable to:			
Equity holders of the parent		(3,395)	(50,765)
Non-controlling interest		(14)	(524)
Total		**(3,409)**	**(51,289)**
Total comprehensive loss for the year			
Attributable to:			
Equity holders of the parent		(8,956)	(53,535)
Non-controlling interest		(2,625)	(119)
Total		**(11,581)**	**(53,654)**

BLUECASTLE ENTERPRISES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of US Dollars

GROUP	Share capital	Additional paid in capital	Foreign exchange translation reserve	Retained earnings	Total	Non controlling interest	Total equity
	Attributable to owners of the parent						
Balance as at 1 January 2013	**15**	**62,270**	**2,335**	**(171,287)**	**(106,667)**	**6,803**	**(99,864)**
Loss for the year	-	-	-	(37,974)	(37,974)	(61)	(38,035)
Other comprehensive loss	-	-	(1,927)	-	(1,927)	(489)	(2,416)
Loan derecognition	-	(6,674)	-	-	(6,674)	-	(6,674)
Share issue	202,487	-	-	-	202,487	-	202,487
Balance as at 1 January 2014	**202,502**	**55,596**	**408**	**(209,261)**	**49,245**	**6,253**	**55,498**
Loss for the year	-	-	-	(3,395)	(3,395)	(14)	(3,409)
Other comprehensive loss	-	-	(5,561)	-	(5,561)	(2,611)	(8,172)
Balance as at 31 December 2014	**202,502**	**55,596**	**(5,153)**	**(212,656)**	**40,289**	**3,628**	**43,917**

BLUECASTLE ENTERPRISES LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY

In thousands of US Dollars

COMPANY	Share capital	Additional capital	Retained earnings	Total equity
Balance as at 1 January 2013	**15**	**55,726**	**(175,217)**	**(119,476)**
Share issue	202,487	-	-	202,487
Loan derecognition	-	(6,674)	-	(6,674)
Total comprehensive loss	-	-	(20,503)	(20,503)
Balance as at 1 January 2014	**202,502**	**49,052**	**(195,720)**	**55,834**
Total comprehensive loss	-	-	(13,054)	(13,054)
Balance as at 31 December 2014	**202,502**	**49,052**	**(208,774)**	**42,780**

BLUECASTLE ENTERPRISES LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

In thousands of US Dollars	Group 2014	Group 2013	Company 2014	Company 2013
Operating activities				
Gate receipts and programme sales	3,145	5,053	-	-
Proceeds from general sponsor	1,614	24,661	-	-
Proceeds from advertising and other sponsors	42,241	18,415	-	-
Broadcasting proceeds	30,587	22,562	-	-
Proceeds from other current activities	6,271	4,688	-	-
Gratuitous proceeds for youth football development	3,151	2,678	-	-
Payment for participation in official competitions			-	
organised by FUR	(2,074)	(2,405)	-	-
Payments for participation in UEFA Club			-	
competitions	(447)	(435)	-	-
Advertising and marketing expenses	(94)	(78)	-	-
Purchases of other goods, work and services	(5,708)	(6,632)	-	-
Personnel expenses	(48,757)	(49,688)	-	-
Payments of taxes and levies	(5,839)	(7,292)	-	-
Payments of insurance premiums and work accident			-	
and occupational life insurance premiums	(4,182)	(4,112)	-	-
Other expenses	(3,111)	(4,840)	-	(18)
Interest payments to bank and credit institutions,			-	
except for related parties	(6,318)	(1,631)	-	-
Interest payments to related parties	(17)	(6)	-	-
Interest income from related parties	-	-	-	-
Net cash received from / (used in) operating activities	**10,462**	**938**	**-**	**(18)**
Cash flow from investing activities				
Purchases of property and equipment	(58,372)	(73,173)	-	-
Proceeds from disposal of property and equipment	90	-	-	-
Proceeds from transfer of players' registration rights	10,279	13,540	-	-
Proceeds from loans repayment	129	-	-	-
Capital contributions to subsidiary	-	-	-	(12,591)
Purchases of players' registration rights	(5,486)	(13,859)	-	-
			-	
Purchase of securities and other financial investments	-	(6,691)	-	
Purchase of other intangible assets	(1)	(38)	-	-
Net cash used in investing activities	**(53,361)**	**(80,221)**	**-**	**(12,591)**
Cash flow from financing activities				
Proceeds from related party financing	-	21,981	-	17,918
Loans from banks and credit institutions			-	
(except for related parties)	59,217	74,763	-	-
Borrowings from other organisations	1,817	6,691	-	-
Other proceeds from financing activities	11,225	931	-	
Repayment of related party borrowings	-	(9,062)	-	(5,331)
Repayment of loans from banks and credit institutions	(8,125)	(7,463)	-	-
Repayment of borrowings from other organisations	(7,145)	(7,369)	-	-
Other repayments under financing activities	(5,743)	(50)	-	-
Net cash received from financing activities	**51,246**	**80,422**	**-**	**12,587**
Net increase/(decrease) in cash and cash equivalents	8,347	1,139	-	**(22)**
Cash and cash equivalents at the beginning of the year	3,400	2,872	4	22
Exchange gains on cash and cash equivalents	(3,835)	(611)	-	4
Cash and cash equivalents at the end of the year	**7,912**	**3,400**	**4**	**4**

1. The Group and its Operations

Bluecastle Enterprises Limited ('the Company') is a company incorporated in the UK. The address of the Company's registered office is Ascot House, 2 Woodberry Grove, London N12 0FB. The consolidated financial statements of the Company as at 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the operation of a professional football team through its principal subsidiary CJSC Professional Football Club CSCA ("the Club").The principal activity of the Club is the development of youth football and operations of the professional football team participating in the competitions organized by the Football Union of Russia ("FUR") and Russian Football Premier League ("RFPL") as well as in the international football tournaments.

During the reporting period the Club continued improving its financial position, developing the infrastructure and transfer policies as well as achieving high level of sport results.

In the second leg of Russian Football Premier League 2013/2014 (spring 2014) the Club strengthened its position among the leaders and finished the season first..

PFC CSKA started successfully season 2014/2015, defeating FC Rostov in the match for the Super Cup of Russia.

In the Russian Football Premier League the Club is currently second, 7 points behind FC "Zenit" the leading team.

At 31 December 2014, the club had 240 employees, including 60 football players.

2. Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. In publishing the parent company financial statements here together with the group financial statements, the company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention, as modified by fair value measurement of certain items as disclosed in the accounting policies below. The consolidated financial statements are presented in US dollar ("USD") and all values are rounded to the nearest thousand except as otherwise indicated. The rational for the selection of the US dollar as the group's functional currency is discussed in the foreign currency section of note 3.

Going concern
The financial statements have been prepared on a going concern basis even though at the year end the group had net current liabilities amounting to $9,917,000 (2013: $33,522,000) and made a loss during the year of $3,409,000. Whilst the group anticipates generating funds from operations, from corporate sponsors and from long and short-term borrowings, it is reliant on the continued financial support of its controlling party and related companies. The director has concluded that these circumstances represent a material uncertainty that cast significant doubt upon the group's ability to continue as a going concern and that, therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the controlling party and related companies have continued to provide financing to the group since the year end and have expressed their willingness to continue providing financial support for at least 12 months from the date of approval of the financial statements in order for the group to meet its current liabilities as they fall due. For these reasons the director continues to adopt the going concern basis of accounting in preparing the financial statements.

3. Significant accounting policies

Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group.

The cost of an acquisition is measured as the fair value of the assets plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as Goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non–controlling interest is the interest in subsidiaries not held by the Group. Non–controlling interest at the balance sheet date represents the non – controlling interest members' portion of the identifiable asset and liabilities of the subsidiary at the acquisition date, and the non- controlling interest members' portion of movements in equity since the date of the combination. Non-controlling interest is presented within the members' equity.

Foreign currency

(i) Functional and presentation currency

The individual financial statements of each Group company are recorded in the currency of the primary economic environment in which it operates (its 'functional currency'). The consolidated financial statements and the financial statements of the Company are presented in US Dollars ('USD'), which is the Group's presentation and functional currency. The results and financial position of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities are translated to the presentation currency at the exchange rate prevailing at the balance sheet date. The income statement and cash flow statement are translated at the average exchange rate for the period. The resulting exchange differences are recognised in the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the balance sheet date.

(ii) Transactions and balances

Monetary assets and liabilities, which are held by the Group and denominated in foreign currencies at 31 December 2014, are translated into functional currency at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

The Russian rouble is not a fully convertible currency outside the Russian Federation. In the Russian Federation, official exchange rates are set daily by the Central Bank of the Russian Federation ("CBR"). As at December 31, 2014 and December 31, 2013, the official CBR exchange rates used for translating RUB-denominated transactions and balances were equal to RUB 56.26 and RUB 32.73 per one US Dollar, respectively. In 2014 and 2013, the average exchange rates were RUB 38.42 and RUB 31.85 per one US Dollar, respectively.

Financial instruments

(i) Financial assets: loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired as well as through the amortization process.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

3. Significant accounting policies (continued)

Financial instruments (continued)

(ii) Financial liabilities: interest bearing loans and borrowings

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

Interest expense is recognised on a time-proportion basis using the effective interest method.

Interest –free long term debt granted to and by the related parties is initially recognized in accordance with the recognition of the financial instruments policy. The difference between nominal amount of consideration given and the fair value of loans granted and borrowed at other than market terms is recognized in the period the loan is granted and borrowed as initial recognition of loans from related parties at fair value. Loans with fixed maturities are subsequently measured at amortised cost using the effective interest rate method. Those that do not have fixed maturities are carried at cost. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and borrowings are derecognized or impaired as well as through the amortization process.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

Value added tax

Russian tax legislation permits settlement of value added tax ("VAT") on a net basis.

VAT is payable upon invoicing and delivery of goods, performing work or rendering services, as well as upon collection of prepayments from customers. VAT on purchases, even if they have not been settled at the balance sheet date, is deducted from the amount of VAT payable.

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

Property and equipment

Property, plant and equipment is recorded at historical cost determined as purchase or construction cost. An asset's carrying amount is written down immediately to its recoverable amount when it is determined to be impaired.

Depreciation is calculated on a straight-line basis over the estimated useful economic lives of the assets which are:

Freehold Land	Not depreciated
Buildings	25-40 years
Football fields and other sports facilities	10 years
Vehicles and equipment	4 years
Furniture and office equipment	3 years
Other	5-7 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each year end.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Land lease rights

Land rights are recognized as intangible assets and represent the value of premiums which would have been paid for the right to lease land in accordance with the regulations issued by Moscow City Government. They are amortised over a period of 49 years which is the term of the underlying land lease agreement

3. Significant accounting policies (continued)

Investment property
Investment property is recognised at cost including transaction costs net of accumulated depreciation and impairment. The Group has recognised the portion attributable to investment property within construction in progress (construction of a stadium in Moscow) in the consolidated financial statements based on the approved construction plan.

Players' Registration Costs
The costs associated with the acquisition of players' registrations are capitalized as intangible assets. These costs are amortised in equal annual instalments over the football seasons covered by the player's initial contract.

Cost includes expenses directly attributable to the acquisition of rights, including transfer payments, agency fees, solidarity payments and contingent payments provided that management assesses the occurrence of such contingency at the acquisition date as highly probable. Where management assesses the occurrence of such contingency as remote, contingent payments are not included in the cost of the registration, however, upon occurrence of such contingency in the future or a change in the probability assessment, they are recorded in the current period results and recognized in solidarity payments and other expenses related to registrations within other operating expenses

At each year end, the Group's management assesses whether there is any indication of impairment, e.g. because of serious health problems of professional football players or significant decline in market value of their registrations. If any such indication exists, the recoverable amount is estimated.

Investments in subsidiaries
Investments in subsidiaries are valued at cost less provision for impairment.

Gain on Disposal of Players' Registrations
Profits or losses on the disposal of players' registrations are credited or charged to the profit and loss account in the year in which the player's registration is sold. They are calculated as the difference arising between the transfer fees received and the net book value of the contracts at the time of the disposal. Any excess of net book value of a player's registration over its net realizable value is taken to the profit and loss account as and when it arises.

Should potential recipients of associated compensations be unknown and the respective debt remain unclaimed over the period of limitation, the Group reverses accrued liabilities and recognizes income within gain on disposal of players' registrations in the current period.

Solidarity payments related to registration rights attributable to the Group are recognized in the reporting period in which a player's transfer to a third club took place, and then recorded within gain on disposal of players' registrations.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

3. Significant accounting policies (continued)

Leases (continued)
Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in the Consolidated Statement of Income on a straight line basis over the lease term.

Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to be prepared for intended use or sale are capitalized as part of cost of respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of accrued interest and other costs that the Group incurs in connection with borrowing of funds.

Revenue and Expense Recognition
Revenue and expense are recognized in the period when revenue is earned and expense is incurred. Revenue is recognized, net of VAT and sales tax, when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Revenue comprises broadcasting proceeds which represent amounts due to the Club from the Russian Football Premier League and UEFA for the transfer of broadcasting rights related to the Club's participation in the Russian Premier League and European football competitions. The Club is entitled to certain percentage of actual funds received from broadcasting proceeds and advertising through the Russian Football Premier League from the Club's home games during the next football season. This percentage is determined partly based on actual result in prior football season.

Pension expenses
The Group contributes to the Russian Federation state pension, social insurance, and medical insurance funds on behalf of its employees. These contributions are expensed as incurred.

Income taxes
Taxation on profits or losses for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Finance income and costs
Finance income and costs comprise interest expense on borrowings and loans payable, deposits, interest income/expense from unwinding of discount on provision for asset retirement obligations and on other financial assets and liabilities, net foreign currency gains/(loss) related with borrowings.

4. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about critical judgements, key assumptions and estimates in applying accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements is detailed in below:

Useful life of property and equipment
Management assesses the remaining useful lives of items of property and equipment at least at each financial year-end. 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 expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognized in profit or loss.

Allowance for impairment of receivables
Management maintains an allowance for impairment of receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for impairment of receivables, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

Impairment of property and equipment and construction in progress
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared for Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment of players' registration rights
Management conducts an impairment test of each player registration rights, as required by IAS 36, Impairment of Assets, at least at each financial year end. The impairment of a player registration rights may occur due to deterioration of a player's physical condition, such as if a player is seriously injured, and consequently, the player registration right loses in fair value, or due to excess of the carrying value of a player registration rights over the related future cash flows. The assessment of recoverable amount of player registration rights involves the exercise of significant judgement.

5. Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted new or revised standards and interpretations mandatory for financial years beginning on or after January 1, 2014.

The Group has adopted the following new and revised IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations during the year:

- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 Financial Instrument: Presentation. Amendments clarify assets and liabilities offsetting rules and introduce new related disclosure requirements;
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets. The amendments require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal;
- Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 Financial Instruments: Recognition and Measurement. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met;
- Interpretation 21 Levies (IFRIC 21). The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

The adoption of aforementioned amended IFRS standards did not have any impact on the financial position or performance of the Group.

6. Standards issued but not yet effective

Standards issued but not yet effective at the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group expects to apply in future. The Group intends to adopt those standards when they become effective.

- IFRS 15 Revenue from Contracts with Customers
- IFRS 11 Amendment 'Joint Arrangements, entitled Accounting for Acquisitions of Interests in Joint Operations'
- IAS 16 Amendments 'Property, Plant and Equipment'
- IAS 38 Amendments 'Intangible Assets'
- IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments : Disclosures and IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 10 Amendments 'Consolidated Financial Statements'
- IAS 28 Amendments 'Investments in Associates and Joint Ventures entitled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'.
- IAS 19 Amendments 'Employee benefits, entitled Defined Benefit Plans: Employee Contributions'.

The Group, however, expects no impact from the adoption of the amendments to its accounting policy, financial position or performance.

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014

8. Property and equipment

GROUP

The analysis of movements in property and equipment is as follows:

In thousands of US dollars	Land	Buildings	Football fields and other sports facilities	Vehicles and equipment	Furniture and office equipment	Other	Construction in progress	Total
Cost								
At December 31, 2013	**33,729**	**1,614**	**3,863**	**1,503**	**906**	**273**	**80,631**	**122,519**
Additions	-	9	-	80	5	661	30,775	31,530
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	(461)	(114)	-	-	(575)
Foreign currency translation	-	(2)	1	98	-	(205)	(192)	(300)
At December 31, 2014	**33,729**	**1,621**	**3,864**	**1,220**	**797**	**729**	**111,214**	**153,174**
Accumulated depreciation								
At December 31, 2013	-	**(1,464)**	**(3,115)**	**(1,258)**	**(832)**	**(169)**	**(5,584)**	**(12,422)**
Depreciation charge for the year	-	(2)	(74)	(96)	(11)	(85)	-	(268)
Impairment	-	-	-	-	-	-	-	-
Depreciation on disposals	-	-	-	461	117	-	-	578
Foreign currency translation	-	1	5	(88)	(3)	23	-	(62)
At December 31, 2014	-	**(1,465)**	**(3,184)**	**(981)**	**(729)**	**(231)**	**(5,584)**	**(12,174)**
Carrying amount								
At December 31, 2013	33,729	150	748	245	74	104	75,047	110,097
At December 31, 2014	**33,729**	**156**	**680**	**239**	**68**	**498**	**105,630**	**141,000**

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014

8. Property and equipment (continued)

GROUP

The analysis of movements in property and equipment is as follows:

In thousands of US dollars	**Land**	**Buildings**	**Football fields and other sports facilities**	**Vehicles and equipment**	**Furniture and office equipment**	**Other**	**Construction in progress**	**Total**
Cost								
At December 31, 2012	33,733	1,675	3,853	1,460	865	294	47,321	89,201
Additions	-	-	-	-	-	-	33,724	33,724
Transfers	-	61	-	131	76	-	(408)	(140)
Disposals	-	-	-	-	-	-	-	-
Foreign currency translation	(4)	(122)	10	(88)	(35)	(21)	(6)	(266)
At December 31, 2013	**33,729**	**1,614**	**3,863**	**1,503**	**906**	**273**	**80,631**	**122,519**
Accumulated depreciation								
At December 31, 2012	-	(1,554)	(2,938)	(1,085)	(820)	(160)	(5,584)	(12,141)
Depreciation charge for the year	-	(22)	(259)	(219)	(38)	(22)	-	(560)
Impairment	-	-	-	-	-	-	-	-
Depreciation on disposals	-	-	-	-	-	-	-	-
Foreign currency translation	-	112	82	46	26	13	-	279
At December 31, 2013	**-**	**(1,464)**	**(3,115)**	**(1,258)**	**(832)**	**(169)**	**(5,584)**	**(12,422)**
Carrying amount								
At December 31, 2012	33,733	121	915	375	45	134	41,737	77,060
At December 31, 2013	**33,729**	**150**	**748**	**245**	**74**	**104**	**75,047**	**110,097**

The amounts of construction in progress include advances for capital constructions of the new stadium in the amount of $48,771,000 and $47,277,000 as at December 31, 2014 and 2013, respectively.

In 2014 and 2013, borrowing costs in the amount of $7,118,000 and $3,484,000, respectively, were capitalized.

In 2014 and 2013, the weighted average rates used to determine the amounts of borrowing costs subject to capitalization was 6.5%.

As at December 31, 2014 and as at December 31, 2013, bank loans were secured by the land owned by the club with a carrying value of $33,729,000 (Note 31).

9. Investment property

Investment property is recognised at cost and is represented by construction in progress as at December 31, 2014. In 2014 and 2013, investment property was not depreciated. Investment property represents the commercial real estate element of the Club's new football stadium.

9. Investment property (continued)

The analysis of movements in investment property in 2014 and 2013 is presented below

	Group	
In thousands of US dollars	2014	2013
Cost		
At beginning of year	81,393	47,396
Additions	29,586	34,028
Transfer from property and equipment	-	-
Foreign currency translation	(561)	(31)
At end of year	**110,418**	**81,393**

In 2014, the Club assessed the fair value of measurement of investment property under construction within the office complex. The fair value determined by an independent appraiser amounted to $131,499,000 (2013: $159,772,000). The fair value of construction in progress was not determined based on transactions observable on the market due to the nature of construction and absence of comparative data. A valuation model was used instead in accordance with the recommendations of the International Valuation Standards Committee. Major inputs included:

Discount rate	12.04% for the period of investing activities
Capitalisation rate	8-10%
Average lease rates (net of VAT)	$588 per sq. m per year
Hotel occupancy	60 % - 70%
Price per hotel room (inc. VAT)	$104 per night
Investment costs (incl. VAT)	$4 per sq. m

As at December 31, 2014 and 2013, the group had no investment property with limited ownership rights or pledged as collateral.

10. Players' registration rights

The analysis of movements in players' registration rights is as follows:

	Group	
In thousands of US dollars	2014	2013
At beginning of year	93,294	96,416
Additions	267	29,051
Disposals	(21,484)	(22,929)
Foreign currency translation	6	(9,244)
At end of year	72,083	93,294
Accumulated amortization		
At beginning of year	(46,735)	(49,437)
Amortization charge for the year	(16,363)	(20,015)
Accumulated amortization on disposed assets	16,089	16,170
Foreign currency translation	166	6,547
At end of year	(46,843)	(46,735)
Accumulated impairment loss		
At beginning of year	(358)	(3,046)
Impairment loss recognized during the year	-	-
Accumulated impairment loss on disposed players	525	-
Foreign currency translation	(167)	2,688
At end of year	-	(358)
Carrying amount		
At beginning of year	46,201	43,933
At end of year	25,240	46,201

10. Players' registration rights (continued)

In 2014 Club has not entered into large acquisitions of players' registration rights.

In 2014, the Club sold players' registrations of Ricardo Jesus da Silva B, Mamaev Pavel, Steven Zuber and others (Note 25).

As at December 31, 2014 and 2013, the Club had no players' registrations with limited ownership rights or pledged as collateral.

11. Land lease rights

The analysis of movements in the value land rights is as follows:

	Group	
In thousands of US dollars	**2014**	**2013**
Cost		
At beginning of year	17,776	19,157
Additions	-	-
Foreign currency translation	(7,435)	(1,381)
At year end	**10,341**	**17,776**
Accumulated amortisation		
At beginning of year	(3,268)	(3,130)
Amortization charge for the year	(309)	(373)
Foreign currency translation	1,465	235
At end of year	**(2,112)**	**(3,268)**
Carrying amount		
At beginning of year	14,508	16,027
At end of year	**8,229**	**14,508**

12. Company long term receivables

In March 2013, Bluecastle and the Club signed an agreement to offset cash counterclaims. According to the agreement, the Club sold 1,428 ordinary shares with a par value of RUB 600 each, their market value amounted to $193,922,000. Payment for the shares was made partially through offsetting of requirements relating to financial liabilities of the Club to Bluecastle in the amount of $193,591,000. It corresponds to the principal amount of all loans borrowed by the Club from Bluecastle. The Company made a gain on settlement of the loans of $47,886,000 (Note 13).

13. Company Investments

In thousands of US dollars	Shares in group undertakings	Additional capital	Total
Cost			
Balance at 1 January 2013	**128**	**17**	**145**
Additions	-	206,514	206,514
Gain on loan settlement	-	(47,886)	(47,886)
Provision for impairment	-	(7,061)	(7,061)
Balance at 31 December 2013	**128**	**151,584**	**151,712**
Provision for impairment	-	(12,426)	(12,426)
Balance at 31 December 2014	**128**	**139,158**	**139,286**

Details of the group undertakings are as follows:

Name and nature of business	Country of incorporation and registration	Type of share	Group effective shareholding
CJSC Professional Football Club CSCA	Russia	Ordinary	100%
OJSC AVO- Capital	Russia	Ordinary	100%
OJSC Sport Training Base Oktyabr ("The Training base")	Russia	Ordinary	60.1%
Youth Sports School of Professional Football Club CSCA (" The Sports School")	Russia	Ordinary	50.0%

76.44% of the Company's investment in CJSC Professional Football Club CSCA has been pledged as security for the group's obligations and liabilities under the loan facility agreement provided by the bank.

14. Accounts Receivable

Accounts receivable consisted of the following:

In thousands of US dollars	Group		Company	
	2014	2013	2014	2013
Accounts receivable from transfer of players' registrations	1,145	1,871	-	-
Broadcasting proceeds receivables	2,831	2,561	-	-
Accounts receivable for advertising and sponsorship	2,265	2,891	-	-
Accounts receivable from related parties	1,834	-	-	-
Other	1,102	1,072	-	-
	9,177	**8,395**	**-**	**-**
Allowance for impairment of receivables	(36)	(102)	-	-
	9,141	**8,293**	**-**	**-**

15. Other non-current and current assets

Other non-current and current assets comprised the following:

Other non current assets	**Group**	
In thousands of US dollars	**2014**	**2013**
VAT on advances issued for capital construction	1,994	6,493
Non- current accounts receivable	-	2,686
Other non-current assets	73	75
	2,067	**9,254**

Other current assets	**Group**	
In thousands of US dollars	**2014**	**2013**
Inventories	856	1,275
Prepayments	48	181
Other current assets	55	90
	959	**1,546**

16. Financial Investments

In July 2013, OJSC Sport Training Base Oktyabr purchased promissory notes in the amount of €5,000,000 maturing no earlier than on January 25, 2014. In December 2014, currency of notes was changed from euros to roubles at the exchange rate at the date of translation and interest rates from 0.3% to 1.3% per annum.

The carrying value of the promissory notes as at 31 December 2014 amounted to $4,632,000, including interest in the amount of $18,000 (as at December 31, 2013 carrying amount totalled $6,879,000 including $9,000 of interest income receivable).

17. Cash and Cash Equivalents

Cash consisted of the following:

	Group		**Company**	
In thousands of US dollars	**2014**	**2013**	**2014**	**2013**
Cash held in Russian Roubles	1,359	3,247	-	-
Cash held in Euros	6,428	137	-	-
Cash held in British Pound	-	-	-	-
Cash held in US Dollars	125	16	4	4
	7,912	**3,400**	**4**	**4**

The Group holds its cash in Vnesheconombank and OJSC Moscow Joint- stock bank Tempbank, a company under common control, which provides most of the banking services to the Group.

18. Accounts Payable and Accruals

Accounts payable and accruals consisted of the following:

	Group		**Company**	
In thousands of US dollars	**2014**	**2013**	**2014**	**2013**
Players' registrations payable	866	6,353	-	-
Amounts payable for property and equipment	6,659	2,236	-	-
Rentals payable	4,133	402	-	-
Advances from general sponsor	1,090	8,998	-	-
Other payables and accruals	2,123	6,116	82	48
	14,871	**24,105**	**82**	**48**

19. Payroll and Related Obligations

Payroll and related obligations consisted of the following:

In thousands of US dollars	Group 2014	Group 2013
Players' remuneration	3,311	3,064
Coaches staff remuneration	374	351
Administrative staff remuneration	614	623
Unused vacation liabilities accrued	4,897	6,973
	9,196	**11,011**

20. Taxes Payable

In thousands of US dollars	Group 2014	Group 2013
Personal income tax	1,809	617
Insurance	323	302
Other	20	1,104
	2,152	**2,023**

21. Income Tax

The income tax expense consisted of the following:

In thousands of US dollars	Group 2014	Group 2013	Company 2014	Company 2013
Current tax expense/(benefit)	-	7	-	-
Deferred tax expense/(benefit)	1,105	363	-	-
	1,105	**370**	**-**	**-**

The applicable tax rate used is 20%, which is the corporation tax rate in Russia. As almost all the group's activities take place in Russia this is considered to be the rate most applicable to the group.

Reconciliation between the income tax expense computed by applying the Russian corporation tax rate to the loss before taxes from ordinary activities presented in the accompanying consolidated financial statements to the income tax expense reported in the consolidated financial statements is as follows:

In thousands of US dollars	2014	2013
(Loss)/profit before income taxes	(2,304)	(37,665)
Statutory income tax rate	20.00%	20.00%
Income tax (benefit)/expense at statutory rate	(461)	(7,533)
Net effect of foreign exchange	15,835	(1,395)
Non-deductible items	(16,605)	5,199
Provision against investments	-	1,449
Effect from the change of income tax rate	-	-
Losses carried forward	126	2,650
Income tax benefit reported in the consolidated financial statements	**1,105**	**370**

21. Income Tax (continued)

Movements in deferred tax balances were as follows:

	Recognized in statement of financial position		Recognised in statement of comprehensive income	
In thousands of US dollars	**31 December 2014**	**31 December 2013**	**2014**	**2013**
Tax effects of deductible temporary differences:				
Accounts receivable	-	162	162	133
Property and equipment	309	1,023	714	(221)
Accounts payable & accruals	-	6	6	466
Tax effects of taxable temporary differences:				
Property and Equipment	(329)	(590)	(261)	(114)
Accounts payable	(521)	(154)	367	153
Short term financial investments	-	(72)	(72)	72
Land lease rights	(1,646)	(2,902)	(1,256)	(303)
Loans from related parties	(41)	(7)	34	(10)
Net tax effect of temporary differences	**(2,228)**	**(2,534)**	**(306)**	**176**
Total change in net deferred tax liability			**(306)**	**176**
Total net deferred tax liability	**(2,228)**	**(2,534)**		

Change in net deferred tax liability recognized in:

	Group	
	2014	**2013**
Income:		
Deferred tax expense	1,105	363
Foreign exchange loss	(1,411)	(187)
Total change in net deferred tax liability	**(306)**	**176**

22. Revenue

Revenue consisted of the following:

	Group	
In thousands of US dollars	**2014**	**2013**
Broadcasting proceeds	4,704	5,814
Prizes	25,927	16,692
Advertising and sponsorship	41,491	32,262
Gate receipts and programme sales	3,026	5,075
Gratuitous proceeds for youth football development	2,750	2,673
Other income	2,982	4,379
	80,880	**66,895**

All revenue arises in the Russian Federation.

23. Operating Expenses

Operating expenses consisted of the following:

	Group	
In thousands of US dollars	**2014**	**2013**
Expenses from sport activities	4,573	5,261
Youth football development	3,347	3,676
Rent of sport facilities	1,443	1,108
Cost of materials	891	700
Provision for impairment of accounts receivable	(34)	93
Impairment of property and equipment	-	-
Insurance and medical services of players	232	534
Solidarity payments and other expenses on players' registrations	907	1,333
Taxes (other than income tax)	(841)	(966)
Advertising	178	411
Professional fees	350	706
Selling expenses	94	72
Other	2,287	2,805
Rent of property for administrative purposes	109	123
Players' remuneration and related social charges	43,942	46,878
Coaches and administrative staff remuneration and related social charges	16,066	16,033
Amortisation of players' registrations	16,363	20,015
Impairment loss on players' registrations	-	-
Depreciation of property and equipment	267	560
Amortisation of land rights	309	373
Auditor's remuneration for audit work	10	10
Auditor's remuneration for non audit work	72	81
	90,565	**99,806**

24. Finance Income/expense

In thousands of US dollars	Group 2014	2013
Interest accrued on long term receivables	-	2,916
Gain from initial loan recognition	-	129
Discount of long-term accounts receivable from related parties	398	(609)
Interests on borrowings from related parties	(7,429)	(15,754)
Interests on borrowings from other parties	(734)	(732)
	(7,765)	(14,050)

25. Gain on Disposal of Players' Registrations

In 2014, gain on disposal of players' registrations consisted of the following:

In thousands of US dollars	Revenue	NBV	Related fees	Discount	Gain
Ricardo Filipe Da Silva Braga	143	-	-	-	143
Mamaev Pavel	5,784	-	-	-	5,784
Steven Zuber	4,652	(3,476)	-	-	1,176
Rasmus Christopher Elm	-	(1,390)	-	-	(1,390)
Other players	118	(5)	-	-	113
Additional payments on disposal of players' registrations in the prior periods	322	-	-	-	322
Total for the year ended December 31, 2014	**11,019**	**(4,871)**	**-**	**-**	**6,148**
Vagner Silva de Souza	8,950	(6,528)	(1,199)	-	1,223
Uros Cosic	1,308	-	-	-	1,308
Other players	733	(64)	-	-	669
Additional payments on disposal of players' registrations in the prior periods	321	-	-	-	321
Solidarity payments on disposal of prior periods	414	-	-	-	414
Total for the year ended December 31, 2013	**11,726**	**(6,592)**	**(1,199)**	**-**	**3,935**

26. Share Capital

Company

Allotted, issued and fully paid:

Number	Class	Nominal value	31.12.14	31.12.13
130,699,550	Ordinary Shares	£1	$202,502,000	$202,502,000

During 2013, 130,689,550 Ordinary shares were issued at par as described in note 28.

27. Ultimate controlling party

Alidanos B.V, a company incorporated in the Netherlands and Financiere Quirinus S.A. were both immediate parent companies of Bluecastle Enterprises Limited holding 50% interest in the issued share capital of the company. In the opinion of the director the ultimate controlling party is Mr Evgeny Giner.

28. Balances and transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures".

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2014 and 31 December 2013 are detailed below. In accordance with IAS 24 disclosure is not required of transactions and balances between Group companies where such transactions are eliminated upon consolidation.

Balances with related parties:

		Group		Company	
Statement of financial position	**Relationship**	**2014**	**2013**	**2014**	**2013**
In thousands of US dollars					
Related party loans:					
Nordnet Holdings Limited	Under common control	3,894	3,605	3,894	3,605
Sensei International S.A.	Under common control	65,258	64,415	65,258	64,415
Financiere Quirinus S.A.	Under common control	-	-	-	-
Spencerdale Limited	Under common control	23,236	-	23,236	-
Carrere Co. Limited	Under common control	-	15,042	-	15,042
Marlane Limited	Under common control	-	6,618	-	6,618
Dartford Services Limited	Under common control	417	-	-	-
Orgmarket Limited	Under common control	3,918	6,081	3,918	6,081
		96,723	**95,761**	**96,306**	**95,761**
Other current liabilities:					
Financial Consultation Bureau Limited	Under common control	53	-	53	53
Spencerdale Limited	Under common control	2,231	14,689	20	20
Dartford Services Limited	Under common control	-	711		
		2,284	**15,400**	**73**	**73**

In 2013, borrowings from related parties totalling to $202,487,000 were discharged in full by the issue of 130,689,550 shares of £1 each.

28. Balances and transactions with related parties (continued)

Loans receivable

	Relationship	Group 2014	Group 2013	Company 2014	Company 2013
Long term accounts receivable from related parties	Under common control	-	2,686	-	-
Current accounts receivable	Under common control	2,022	323	-	-
		2,022	**3,009**	**-**	**-**

Transactions with related parties:

	Relationship	Group 2014	Group 2013	Company 2014	Company 2013
Additional paid in capital:					
Loans from related parties	Under common control	**-**	**(6,674)**	**-**	**(6,674)**
Other transactions:					
Proceeds from loans and borrowings	Under common control	-	22,076	-	-
Repayment of loans and borrowings	Under common control	-	(9,158)	-	-
Repayment of interest on loans and borrowings	Under common control	225	(6)	-	-

Income statement

In thousands of US dollars

	Relationship	Group 2014	Group 2013	Company 2014	Company 2013
Finance costs:					
Loss on initial recognition of long term accounts receivable	Under common control	-	609	-	-
Recovery of loss of long term accounts receivable	Under common control	398	-	-	-
Interests on borrowings from related parties	Entities under common control	-	15,754	-	15,754
		398	**16,363**	**-**	**15,754**
Finance Income:					
Interest accrued on long term accounts receivable from related parties	Under common control	-	129	-	-
Interests on loans advanced to related parties	Subsidiary	-	-	-	3,067
		-	**129**	**-**	**3,067**

28. Balances and transactions with related parties (continued)

In 2013 the Club also entered into agreement with E.L. Giner concerning assignment of receivables under co-investment construction contract. The amount of assigned receivables totals $2,022,000 due in June 2015.

In August 2013, the Club signed loan agreement with another company for the total amount of $12,500,000 to compensate the cost of acquiring a player (Note 10) bearing an interest rate of 0.1% and maturing on 1 August 2014. In December 2013, the parties signed supplementary agreement on translating EUR-denominated loans to Euro without changes in other conditions, which was recognized as the settlement of initial financial liabilities of $12,316,000 and recognition of new financial liabilities. For 2014, the payments were made on the loan. As of 01.01.2015 the amount of debt outstanding is $2,204,000.

In November 2014, the Training Base Oktyabr received from another company a short-term loan of $4,700,000 bearing an interest rate of 5.125%. In January 2015 an agreement was signed with Spencerdale Limited concerning set-off of monetary claims on loan received in sum of $4,732,000 and promissory notes bought by the club from Spencerdale Limited.

The Club made a claim for payment on promissory notes issued by Spencerdale Limited in sum of $4,634,000 According to set-off agreement the remainder of the loan from Spencerdale Limited. in sum of $105,000 was recognised as the loan after setting-off mutual liabilities (Note 32).

In 2014 and 2013, current compensation of key management personnel of the group amounted to $3,468,000 and $3,190,000, respectively. In 2014 and 2013, related social charges amounted to $367,000 and $326,000, respectively. Other compensation (non-current, post-retirement benefits) was not paid during the reporting period.

In 2013, the Company received and repaid a loan of $1,945,000 from key management personnel with the interest rate of 14%. .

Other related party transactions of the Company

In March 2013, Bluecastle and the Club signed an agreement to offset cash counterclaims. According to the agreement, the Club sold 1,428 ordinary shares with a par value of RUB 600 each, their market value amounted to $193,922,000. Payment for the shares was made partially through offsetting of requirements relating to financial liabilities of the Club to Bluecastle in the amount of $193,591,000. It corresponds to the principal amount of all loans borrowed from Bluecastle at the transaction date. The Company made a gain on settlement of the loans of $47,886,000. Accounts payable from Bluecastle to the Club for the purchase of shares remaining after offset amounted to $331,000 and were paid by Bluecastle as at the reporting date.

In 2013, the Company additionally incurred $12,590,817 of expenditures on behalf of the Club that are recorded as investments in the Club as the Club does not have any obligation to repay them to the Company.

29. Financial risk management

The Group's principal financial instruments comprise of cash and cash equivalents, accounts receivable, borrowings, trade accounts payable and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. During the year the Group did not undertake trading in financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk, and credit risk.

29. Financial risk management (continued)

Foreign Currency Risk (continued)
Currency risk is the risk of increase or decrease in liabilities and assets and the risk of loss resulting from changes in exchange rates applied to open foreign currencies positions.

The Group is exposed to currency risk on receivables from transfer of players' registrations, broadcasting proceeds, receivables for advertising and sponsorship and borrowings in a currency other than the functional currency of the Club. The currencies in which these transactions primarily are denominated are Euros and Russian Roubles. The Group does not have formal arrangements to mitigate currency risks of its operations.

Effect of principal exchange rate fluctuations on the Group's consolidated statement of comprehensive income for the year ended 31 December 2014 is as follows:

In thousands of US dollars	Exchange rate fluctuations %	Estimation of gain/(loss)
	+10%	(20,377)
RUB/USD	-10%	20,377
	+10%	(3,786)
EUR/USD	-10%	3,786

Credit Risk
Credit risk is the risk of financial losses arising from counterparty's failure to discharge its contractual obligations. Financial assets, which potentially subject the Group to credit risk, consist principally of accounts receivables resulting from the transfer of players' registrations. The Group has no significant concentration of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

The exposure of such accounts receivable to credit risk is mitigated by the regulations of the Russian Football Premier League, Professional Football League and Russian Football Union, which might impose severe financial and sport-related penalties to the clubs that failed to pay for players' registrations. The carrying amount of accounts receivable, net of allowance for impairment of receivables, represents the maximum amount exposed to credit risk.

Aging analysis of financial assets is as follows:

In thousands of US dollars		Including overdue				
December 31, 2014	**Total**	**Up to 90 days**	**91 to 180 days**	**181 to 365 days**	**Over 365 days**	**Total**
Current accounts receivable	9,141	-	-	-	2,181	2,181
Non-current receivables	-	-	-	-	-	-
Total	**9,141**	**-**	**-**	**-**	**2,181**	**2,181**

		Including overdue				
December 31, 2013	**Total**	**Up to 90 days**	**91 to 180 days**	**181 to 365 days**	**Over 365 days**	**Total**
Current accounts receivable	8,566	-	-	-	323	323
Non-current receivables	2,686	-	-	-	-	-
Total	**11,252**	**-**	**-**	**-**	**323**	**323**

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its obligations. Liquidity (cash) management is the ability to settle current payment liabilities and eliminate risk of early repayment.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and loans from related parties

29. Financial risk management (continued)

The maturity of the Group's financial liabilities is as follows:

In thousands of US dollars

December 31, 2014	On demand	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total
Long-term loan payable to a related party	-	-	-	96,306	417	96,723
Long-term loan payable	-	-	-	134,169	-	134,169
Players' registrations payable	120	139	461	145	-	865
Short term loans payable	-	-	6,217	-	-	6,217
Short term loans payable to related parties	73	-	2,211	-	-	2,284
	193	139	8,889	230,620	417	240,258

December 31, 2013	On demand	Up to 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total
Long-term loan payable to a related party	-	-	-	95,761	-	95,761
Long-term loan payable	-	-	-	-	74,138	74,138
Players' registrations payable	730	2,748	2,871	-	-	6,349
Short term loans payable	-	-	16,277	-	-	16,277
Short term loans payable to related parties	73	-	711	-	-	784
	803	2,748	19,859	95,761	74,138	193,309

Fair Values
Fair values of Group's financial instruments at 31 December 2014 and 2013 approximate their carrying values due to their short maturities and discounting of long-term financial instruments.

Capital Management
Capital comprises equity and borrowed funds available to the Group as of the balance sheet date. The Group's capital management policy is primarily focused on obtaining requisite sources of funding that would be sufficient to finance the Group's business operations.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, by means of additional finance from the members.

30. Commitments and contingencies and operating risks

Players' Insurance Coverage
At 31 December 2014 and 2013, the Group maintained medical insurance coverage for its players, which covers any direct medical costs.

Commitments under Player Transfer Agreements
Certain contracts for the purchase of players' registrations contain commitments to the clubs from which the Group purchased such registration rights to share a portion of proceedings from further transfer of the underlying players' registrations to a third club. Such fees might range from 10% to 50% of the subsequent resale price, and sometimes lapse after a certain period of time.

Certain contracts for the purchase of players' registrations contain payment commitments to clubs from which the Group purchased such registration rights, which are determined based on the subsequent performance of the player or the Club. Such fees are recognised in other expenses during the contractual term.

Because of the volatility of the market values of players' registrations and lack of market information no reliable estimate of the amount of such future obligation can be made.

30. Commitments and contingencies and operating risks (continued)

Litigation, claims and assessments
During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

Pension insurance
In 2014 and 2013, the Group's contributions to state pension, social insurance and medical insurance funds approximated 7% and 6.9% of payroll and were expensed as incurred. The Group incurred $4,399,000 and $3,467,000 of pension, social and medical insurance costs in 2014 and 2013, respectively. The Group has no other program for payment of post retirement benefits to its employees and thus no future liability for such payments.

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

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

In addition the Group is vulnerable to international sanctions on Russian entities as it is involved in European Football competitions.

Taxation
Legislation and regulations regarding taxation in Russia continue to evolve. Various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local, regional and national tax authorities. Instances of inconsistent opinions are not unusual. The current regime of penalties and interest related to reported and discovered violations of Russia's laws, decrees and related regulations is severe. Interest and penalties are levied when an understatement of a tax liability is discovered. As a result, the amounts of penalties and interest can be significant in relation to the amounts of unreported taxes.

In Russia tax returns remain open and subject to inspection for a period of up to three years. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during three-year period. Management believes that the Group has complied with all regulations, and paid or accrued all taxes that are applicable. However, it is possible that the relevant local or national governmental authorities may attempt to revise their previous approach to such transactions and assess additional VAT and other taxes against the Group.

Contingencies
On 30 June 2011, the Group terminated the Simple Partnership. Due to deficiencies in the legislation and absence of clear legal and court practice of termination of such agreements, it is impossible to evaluate potential liabilities arising from terminating the Joint Activity Agreement with Bluecastle and, therefore, a provision for contingencies is not recorded in the consolidated financial statements.

Capital commitments
At December 31, 2014, the Group had capital commitments of approximately $133,879,000 to be settled during the year primarily related to the construction of a new stadium in the city of Moscow.

31. Loans and borrowings

Loans and borrowings comprised the following:

In thousands of US dollars

Group	2014	2013
Long - term		
USD - denominated borrowings from related parties	58,525	54,474
RUB - denominated borrowings from related parties	4,008	6,378
GBP - denominated borrowings from related parties	647	626
EUR - denominated borrowings from related parties	33,543	34,994
USD – denominated bank loans	134,169	74,138
Current portion of long-term loans from related parties	-	(711)
	230,892	**169,899**
Short – term		
GBP - denominated borrowings from related parties	73	73
GBP – denominated borrowings from other parties	49	-
EUR - denominated loans from banks	1,436	1,608
EUR – denominated borrowings from other parties	2,211	8,157
USD - denominated borrowings from other parties	4,732	6,512
Current portion of long-term loans from related parties	-	711
	8,501	**17,061**

In thousands of US dollars

Company	2014	2013
Long - term		
USD - denominated borrowings from related parties	58,197	54,061
RUB - denominated borrowings from related parties	3,919	6,080
GBP - denominated borrowings from related parties	647	626
EUR - denominated borrowings from related parties	33,543	34,994
	96,306	**95,761**
Short – term		
GBP – denominated borrowings from other parties	73	73
GBP - denominated borrowings from related parties	49	-
	122	**73**

In March 2013, Bluecastle and the Club signed an agreement to offset cash counterclaims. According to the agreement, the Club sold 1,428 ordinary shares with a par value of RUB 600 each, their market value amounted to $193,922,000. Payment for the shares was made partially through offsetting of requirements relating to financial liabilities of the Club to Bluecastle in the amount of $193,591,000. It corresponds to the principal amount of all loans borrowed from the Parent at the transaction date. Company made a gain on settlement of the loans of $47,886,000. Accounts payable from Bluecastle to the Club for the purchase of shares remaining after offset amounted to $331,000 and were paid by Bluecastle as at the reporting date.

In March 2013, the Club and Vnesheconombank entered into agreement on opening a credit line with a drawdown limit of $280,000,000 bearing an interest rate of 6.5% and maturing in 2023 for financing costs related to stadium construction. The Club pledged property and equipment (Note 8), Bluecastle and OJSC AVO-Capital pledged 100% shares of PFC CSCA as collateral under the agreement.

31. Loans and borrowings (continued)

In August 2013, the Club signed loan agreement with another company for the total amount of $12,500,000 to compensate the cost of acquiring a player (Note 10) bearing an interest rate of 0.1% and maturing on 1 August 2014. In December 2013, the parties signed supplementary agreement on translating EUR-denominated loans to Euro without changes in other conditions, which was recognized as the settlement of initial financial liabilities of $12,316,000 and recognition of new financial liabilities. For 2014, the payments were made on the loan. As of January 2015, the amount of debt outstanding is $2,204,000.

In November 2014, the Training Base Oktyabr received from another company a short-term loan of $4,700,000 bearing an interest rate of 5.125%. In January 2015 an agreement was signed with Spencerdale Limited concerning set-off of monetary claims on loan received in sum of $4,732,000 and promissory notes bought by the club from Spencerdale Limited.

The Club made a claim for payment on promissory notes issued by Spencerdale Limited in sum of $4,634,000 According to set-off agreement the remainder of the loan from Spencerdale Limited in sum of $105,000 was recognised as the loan after setting-off mutual liabilities (Note 32).

32. Events after the reporting date

In January 2015 an agreement was signed with Spencerdale Limited concerning set-off of monetary claims on loan received in sum of $4,732,000 and promissory notes bought by the club from Spencerdale Limited.

The club made a claim for payment on promissory notes issued by Spencerdale Limited. in sum of $4,634,000 (Note 28). According to set-off agreement the remainder of the loan from Spencerdale Limited. in sum of RUB $105,000 was recognised as the loan after setting-off mutual liabilities.