

REGISTRAR OF COMPANIES

COMPANY NO. 5892328

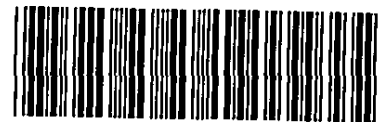
LPQ RUSSIA LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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COMPANIES HOUSE

GOLDWYNS
CHARTERED ACCOUNTANTS
STATUTORY AUDITORS
13 DAVID MEWS, PORTER STREET
LONDON W1U 6EQ

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FOR THE YEAR ENDED 31 DECEMBER 2013**

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LPQ RUSSIA LIMITED AND SUBSIDIARIES

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

DIRECTORS:	MS G GRAGOSSIAN I ZILBERKWEIT P S A ETTINGER D W REED I SAVELIEV R AGEE A NOVITSKY L Y L RECANATI
SECRETARY:	PREISKEL & CO LLP
REGISTERED OFFICE:	5 FLEET PLACE LONDON EC4M 7RD
REGISTERED NUMBER:	05892328 (England and Wales)
SENIOR STATUTORY AUDITOR:	MARTIN MYERS FCA
AUDITORS:	GOLDWYNS CHARTERED ACCOUNTANTS STATUTORY AUDITORS 13 DAVID MEWS PORTER STREET LONDON W1U 6EQ
BANKERS:	HSBC BANK PLC 38 HIGH STREET DARTFORD, KENT DA1 1DG

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present their strategic report of the company and the group for the year ended 31 December 2013

The principal activities of the group in the year under review were those of provision of a group of retail stores, including catering services, restaurant and café service, bread, baked goods and confectionery retailing, alcohol and other drinks retailing and other retailing of foodstuffs in speciality stores

REVIEW OF BUSINESS

The results for the year and the financial position of the group are as shown in the annexed financial statements. The Directors anticipate an improvement in the group's financial position in the coming year.

RISKS AND UNCERTAINTIES

The management team has identified the following factors as major potential risks to the successful performance of its business. Some, such as IT failures, are specific risks that require specific, identified actions to mitigate their effect. Others, such as the impact of competition, are areas addressed through strategic planning and operational management processes.

Competition

The Company and Group operates in highly competitive markets and its failure to compete effectively could have a material adverse effect on its results.

Consumer preferences, perception and spending

The industry the Company and Group operates in is subject to changes in consumer preferences, perceptions and spending habits. The Company's and Group's performance depends on factors which may affect the level and patterns of consumer spending in Russia and on its ability to anticipate and respond to changes in consumer preferences.

Poor economic conditions

The Company and Group derive a substantial proportion of their trading from Russia and are therefore sensitive to fluctuations in the economies of this country.

Seasonal fluctuations in sales

The Company's and Group's operations are characterised by seasonal fluctuations in sales requiring careful operational and stock management.

Failure or interruption in product supply

Any failure, interruption or unavailability of the group's operational infrastructure could lead to disruption to supply and increased costs.

Raw material costs

The price of the Company's and Group's products may be significantly affected by the cost of raw materials used to produce the product it sells, and by currency fluctuations.

Failure or unavailability of operational infrastructure

Any failure, interruption or unavailability of the Company's and Group's operational infrastructure could lead to increased costs or disruption to supply.

Cost inflation and legislative change

The Company's and Group's operational costs are affected by underlying cost inflation and legislative and fiscal policy changes in relation to, for example wages, rates and rent.

Key areas of strategic development and performance

Sales and marketing: new and repeat business is being secured, new markets have been developed in line with the Company's and Group's strategy, and key customer relationships are monitored on a regular basis.

Health and Safety: the Company and Group continue to seek ways of ensuring that a safe and healthy working environment is progressively improved.

Environment: new methods of achieving greater environmental effectiveness are continually being examined.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

Key financial performance indicators include the monitoring and management of profitability and monetary working capital

	2013	2012	Measure
Financial			
Current ratio	0.77 ✓	0.87 ✓	Current assets / current liabilities
Creditors days	72 ✓	68 ✓	Trade creditors/cost of sales x 365 (cost of sales excludes wages)
Sales per employee £000	24 ✓	26 ✓	Turnover/average number of employees

EMPLOYEE INVOLVEMENT IN MATTERS OF CONCERN TO THEM

The Directors face the constant challenge of maintaining the high standards of customer service and product quality which is key to the Group's success. In this respect, the Directors believe the motivation and commitment of all staff, in particular those that interface directly with our customers in-store, to be crucial and this is reflected in all human resource strategies. Extending meaningful share based payments to a progressively larger proportion of employees is a goal of our board. The Directors believe this is not only socially responsible but also in the best long-term interests of all the Group's stakeholders - customers, employees and shareholders.

ON BEHALF OF THE BOARD:



I ZILBERKWEIT - Director

Date

25/8/14

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2013

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2013

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report

MS G GRAGOSSIAN
I ZILBERKWEIT
P S A ETTINGER
D W REED
I SAVELIEV
R AGEE
A NOVITSKY

Other changes in directors holding office are as follows

T D MAHER - appointed 14 January 2013 - resigned 7 October 2013
L Y L RECANATI - appointed 14 January 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors 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 company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group'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. They are 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 directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group'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 himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information

ON BEHALF OF THE BOARD:



I ZILBERKWEIT - Director

Date

25/8/14

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LPQ RUSSIA LIMITED AND SUBSIDIARIES

We have audited the financial statements of LPQ RUSSIA LIMITED AND SUBSIDIARIES for the year ended 31 December 2013 on pages seven to twenty five. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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 Directors' Responsibilities set out on page four, the directors are 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on financial statements

Our audit work did not extend to the investments in Companies which are based in the British Virgin Island and have a carrying value of £671,125 on the balance sheet. We are informed by the Directors that these are the holding entities for the property in which the Group operates its main bakery in the Moscow region and that the structure was taken over from the previous owner. We have not verified if any adjustments might have been required in the consolidated financial statements in respect of these investments.

Qualified Opinion on financial statements

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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 qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The Group incurred losses of £8,262,869 for the year ended 31 December 2013, and had net liabilities of £3,462,937 as at 31 December 2013. The financial statements have been prepared on a going concern basis based on the availability of financial support from Directors, shareholders, banks and others and from anticipated future profitable trading. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would arise from a withdrawal of financial support.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
LPQ RUSSIA LIMITED AND SUBSIDIARIES**

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to investments described above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether adequate accounting records have been kept

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 parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent 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

MARTIN MYERS FCA (Senior Statutory Auditor)
FOR AND ON BEHALF OF GOLDWYNS
CHARTERED ACCOUNTANTS
STATUTORY AUDITORS
13 DAVID MEWS
PORTER STREET
LONDON
W1U 6EQ

Date

01/09/2014.



**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 £	2012 £
TURNOVER	3	17,384,314	14,498,924
Cost of sales		<u>16,225,165</u>	<u>13,054,087</u>
GROSS PROFIT		1,159,149	1,444,837
Distribution costs		128,005	57,637
Administrative expenses		<u>6,815,283</u>	<u>5,221,858</u>
		<u>6,943,288</u>	<u>5,279,495</u>
		(5,784,139)	(3,834,658)
Other operating income		<u>65,693</u>	<u>36,833</u>
OPERATING LOSS	5	(5,718,446)	(3,797,825)
Exceptional items	6	<u>2,082,242</u>	<u>2,782,573</u>
		(7,800,688)	(6,580,398)
Interest receivable and similar income		-	77
		(7,800,688)	(6,580,321)
Amounts written off investments	7	-	161,694
		(7,800,688)	(6,742,015)
Interest payable and similar charges	8	<u>685,167</u>	<u>722,767</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(8,485,855)	(7,464,782)
Tax on loss on ordinary activities	9	<u>(222,986)</u>	<u>188,114</u>
LOSS FOR THE FINANCIAL YEAR FOR THE GROUP		<u>(8,262,869)</u>	<u>(7,652,896)</u>

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the losses for the current year or previous year

LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)

**CONSOLIDATED BALANCE SHEET
31 DECEMBER 2013**

	Notes	2013		2012	
		£	£	£	£
FIXED ASSETS					
Intangible assets	11		1,414,711		1,502,799
Tangible assets	12		3,501,924		2,527,801
Investments	13		<u>671,125</u>		<u>-</u>
			5,587,760		4,030,600
CURRENT ASSETS					
Stocks	14	1,303,866		442,365	
Debtors	15	3,345,399		2,214,189	
Cash at bank		<u>593,387</u>		<u>2,527,190</u>	
			5,242,652		5,183,744
CREDITORS					
Amounts falling due within one year	16		<u>6,764,818</u>		<u>5,965,271</u>
NET CURRENT LIABILITIES			<u>(1,522,166)</u>		<u>(781,527)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			4,065,594		3,249,073
CREDITORS					
Amounts falling due after more than one year	17		<u>7,528,531</u>		<u>6,023,271</u>
NET LIABILITIES			<u>(3,462,937)</u>		<u>(2,774,198)</u>
CAPITAL AND RESERVES					
Called up share capital	21		74,748		58,510
Share premium	22		22,873,398		16,321,657
Profit and loss account	22		<u>(26,411,083)</u>		<u>(19,154,365)</u>
SHAREHOLDERS' FUNDS	24		<u>(3,462,937)</u>		<u>(2,774,198)</u>

25/8/14

The financial statements were approved by the Board of Directors on
and were signed on its behalf by



I ZILBERKWEIT - Director

The notes form part of these financial statements

LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)

**COMPANY BALANCE SHEET
31 DECEMBER 2013**

	Notes	2013	2012
		£	£
FIXED ASSETS			
Intangible assets	11	409,306	441,538
Tangible assets	12	-	-
Investments	13	<u>1,341,531</u>	<u>1,341,531</u>
		1,750,837	1,783,069
CURRENT ASSETS			
Debtors	15	16,660,525	10,947,363
Cash at bank		<u>276,528</u>	<u>1,749,924</u>
		16,937,053	12,697,287
CREDITORS			
Amounts falling due within one year	16	<u>912,662</u>	<u>2,195,023</u>
NET CURRENT ASSETS		<u>16,024,391</u>	<u>10,502,264</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,775,228	12,285,333
CREDITORS			
Amounts falling due after more than one year	17	<u>3,005,793</u>	<u>2,729,416</u>
NET ASSETS		<u>14,769,435</u>	<u>9,555,917</u>
CAPITAL AND RESERVES			
Called up share capital	21	74,748	58,510
Share premium	22	22,873,398	16,321,657
Profit and loss account	22	<u>(8,178,711)</u>	<u>(6,824,250)</u>
SHAREHOLDERS' FUNDS	24	<u>14,769,435</u>	<u>9,555,917</u>

The financial statements were approved by the Board of Directors on 25/8/14 and were signed on its behalf by



I ZILBERKWEIT - Director

The notes form part of these financial statements

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	£	2013	£	£	2012	£
Net cash outflow from operating activities	1		(6,895,571) ✓			(1,079,324) ✓	
Returns on investments and servicing of finance	2		(685,167) ✓			(722,690) ✓	
Taxation			(119,791) ✓			(188,114) ✓	
Capital expenditure and financial investment	2		<u>(2,713,407)</u> ✓			<u>(5,422,530)</u> ✓	
			(10,413,936) ✓			(7,412,658) ✓	
Financing	2		<u>8,480,133</u> ✓			<u>9,806,783</u> ✓	
(Decrease)/increase in cash in the period			<u>(1,933,803)</u> ✓			<u>2,394,125</u> ✓	

Reconciliation of net cash flow to movement in net debt

	3						
(Decrease)/increase in cash in the period		(1,933,803) ✓		2,394,125 ✓			
Cash inflow from increase in debt		<u>(2,030,754)</u> ✓		<u>(2,399,190)</u> ✓			
Change in net debt resulting from cash flows			<u>(3,964,557)</u> ✓			<u>(5,065)</u> ✓	
Movement in net debt in the period			(3,964,557) ✓			(5,065) ✓	
Net debt at 1 January			<u>(2,980,924)</u> ✓			<u>(2,975,859)</u> ✓	
Net debt at 31 December			<u>(6,945,481)</u> ✓			<u>(2,980,924)</u> ✓	

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

1 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2013 £	2012 £
Operating loss	(5,718,446) ✓	(3,797,825) ✓
Depreciation charges	878,684 ✓	737,554 ✓
Loss on disposal of fixed assets	43,621 ✓	- ✓
Foreign exchange differences	1,240,093 ✓	235,158 ✓
Exceptional item	(2,082,242) ✓	- ✓
Increase in stocks	(861,501) ✓	(386,370) ✓
(Increase)/decrease in debtors	(788,433) ✓	1,643,169 ✓
Increase in creditors	392,653 ✓	488,990 ✓
Net cash outflow from operating activities	<u>(6,895,571) ✓</u>	<u>(1,079,324) ✓</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2013 £	2012 £
Returns on investments and servicing of finance		
Interest received	- ✓	77 ✓
Interest paid	(685,167) ✓	(722,767) ✓
Net cash outflow for returns on investments and servicing of finance	<u>(685,167) ✓</u>	<u>(722,690) ✓</u>
Capital expenditure and financial investment		
Purchase of intangible fixed assets	- ✓	(1,117,117) ✓
Purchase of tangible fixed assets	(2,226,758) ✓	(1,302,189) ✓
Purchase of fixed asset investments	(671,125) ✓	- ✓
Sale of tangible fixed assets	167,013 ✓	1,266 ✓
Exceptional item	- ✓	(2,782,573) ✓
Elimination on consolidation	17,463 ✓	(221,917) ✓
Net cash outflow for capital expenditure and financial investment	<u>(2,713,407) ✓</u>	<u>(5,422,530) ✓</u>
Financing		
New loans in year	2,030,754 ✓	2,399,190 ✓
Amount introduced by directors	341,512 ✓	474,932 ✓
Amount withdrawn by directors	(460,112) ✓	(244,772) ✓
Share issue	16,238 ✓	19,036 ✓
Share Premium	6,551,741 ✓	7,158,397 ✓
Net cash inflow from financing	<u>8,480,133 ✓</u>	<u>9,806,783 ✓</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

3 ANALYSIS OF CHANGES IN NET DEBT

	At 1 1 13 £	Cash flow £	At 31 12 13 £
Net cash			
Cash at bank	2,527,190 ✓	(1,933,803) ✓	593,387 ✓
	<u>2,527,190</u> ✓	<u>(1,933,803)</u> ✓	<u>593,387</u> ✓
Debt			
Debts falling due within one year	(116,715) ✓	60,252 ✓	(56,463) ✓
Debts falling due after one year	(5,391,399) ✓	(2,091,006) ✓	(7,482,405) ✓
	<u>(5,508,114)</u> ✓	<u>(2,030,754)</u> ✓	<u>(7,538,868)</u> ✓
Total	<u>(2,980,924)</u> ✓	<u>(3,964,557)</u> ✓	<u>(6,945,481)</u> ✓

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1 GOING CONCERN

The Group incurred losses of £8,262,869 for the year ended 31 December 2013, and had net liabilities of £3,462,937 as at 31 December 2013. These are going concern problem indicators and the financial statements have been prepared on a going concern basis based on the availability of financial support from Directors, shareholders, banks and others and from anticipated future profitable trading. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Furthermore, the Directors continue to attract additional investments resulting in the opening of new stores in 2014. The financial statements do not include any adjustments that would arise from a withdrawal of financial support.

2 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements comprise the financial statements of LPQ Russia Limited and all its subsidiary undertakings (LLC LPK, LLC Cumerghersky, LLC Tverskaya, LLC Gorkiy Park, LLC Nash Xleb-Filion, LLC Xleb Nasyshnii Novinskii, LLC Xleb Nasyshnii Pyatniskay, LLC Razvitie, LLC LPK Taganka, Yuvin Holdings Limited, LLC Vlasta, LLC Andreevskie Bulochnie, LLC Khleboteka, LLC Nash Xleb Nord West and LLC Nash Xleb Food & Go) drawn up to 31 December of each year. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. All inter-company balances and transactions are eliminated.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business, is being amortised evenly over its estimated useful life of twenty years.

Other intangible assets

Initial franchise costs incurred are being amortised evenly over their estimated useful life of twenty years. The asset is reviewed for impairment annually.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Leasehold Improvements	-	10 years straight line
Fixtures, fittings & equipment	-	Between 3 years and 5 years straight line
Motor Vehicles	-	5 years straight line

Construction work in progress is transferred to other fixed asset categories on completion of work.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

2 ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Investments

Unlisted investments are carried at cost less provision for any permanent diminution in value.

3 TURNOVER

Revenue, which is stated net of value added tax or local sales tax, represents amounts received from the sale of goods from the Group's principal activity, being the operation of high quality retail stores including catering services, restaurant and café services, bread, baked goods and confectionery retailing, alcohol and other drinks retailing and other retailing of foodstuffs in speciality stores. All of the revenue is generated in Russia.

4 STAFF COSTS

Wages and salaries

2013	2012
£	£
<u>7,563,916</u> ✓	<u>6,028,714</u> ✓

The average monthly number of employees during the year was as follows

	2013	2012
Operational employees	530 ✓	411 ✓
Administration	195 ✓	139 ✓
Executive officers	<u>14</u> ✓	<u>12</u> ✓
	<u>739</u> ✓	<u>562</u> ✓

5 OPERATING LOSS

The operating loss is stated after charging

	2013	2012
	£	£
Depreciation - owned assets	790,596 ✓	649,466 ✓
Loss on disposal of fixed assets	43,621 ✓	- ✓
Goodwill amortisation	69,458 ✓	69,458 ✓
Patents and licences amortisation	18,630 ✓	18,630 ✓
Auditors' remuneration	<u>47,493</u> ✓	<u>46,339</u> ✓
Directors' remuneration	<u>304,130</u> ✓	<u>186,045</u> ✓

Information regarding the highest paid director for the year ended 31 December 2013 is as follows

2013
£
<u>204,051</u> ✓

6 EXCEPTIONAL ITEMS

Exceptional items consist of expenses relating to new shop opening costs, payroll costs in respect of employees participating in opening of new shops and significant foreign exchange losses for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

7 AMOUNTS WRITTEN OFF INVESTMENTS

	2013 £	2012 £
Amount written off investments	-	161,694

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £	2012 £
Bank interest	21,518	3,998
Loan interest	663,649	718,769
	<u>685,167</u>	<u>722,767</u>

9 TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows

	2013 £	2012 £
Current tax		
Foreign tax	119,791	188,114
Deferred tax	(342,777)	-
Tax on loss on ordinary activities	<u>(222,986)</u>	<u>188,114</u>

The tax charge is attributable to the subsidiary companies, LLC Cumergersky, LLC Tverskaya, LLC Nash Xleb-Filion, LLC Xleb Nayshni Pyatniskaya, LLC LPK Taganka, LLC Razivite and LLC Khleboteka, companies incorporated in Russia

10 LOSS OF PARENT COMPANY

As permitted under section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £1,354,641 (2012 - £1,676,404)

11 INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Patents and licences £	Totals £
COST			
At 1 January 2013 and 31 December 2013	<u>1,389,156</u>	<u>372,605</u>	<u>1,761,761</u>
AMORTISATION			
At 1 January 2013	139,418	119,544	258,962
Amortisation for year	<u>69,458</u>	<u>18,630</u>	<u>88,088</u>
At 31 December 2013	<u>208,876</u>	<u>138,174</u>	<u>347,050</u>
NET BOOK VALUE			
At 31 December 2013	<u>1,180,280</u>	<u>234,431</u>	<u>1,414,711</u>
At 31 December 2012	<u>1,249,738</u>	<u>253,061</u>	<u>1,502,799</u>

LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

11 INTANGIBLE FIXED ASSETS - continued

Company

	Goodwill £	Patents and licences £	Totals £
COST			
At 1 January 2013 and 31 December 2013	<u>272,039</u> ✓	<u>372,605</u> ✓	<u>644,644</u> ✓
AMORTISATION			
At 1 January 2013	83,562 ✓	119,544 ✓	203,106 ✓
Amortisation for year	<u>13,602</u> ✓	<u>18,630</u> ✓	<u>32,232</u> ✓
At 31 December 2013	<u>97,164</u> ✓	<u>138,174</u> ✓	<u>235,338</u> ✓
NET BOOK VALUE			
At 31 December 2013	<u>174,875</u> ✓	<u>234,431</u> ✓	<u>409,306</u> ✓
At 31 December 2012	<u>188,477</u> ✓	<u>253,061</u> ✓	<u>441,538</u> ✓

12 TANGIBLE FIXED ASSETS

Group

	Leasehold improvements £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 January 2013	1,466,041 ✓	3,015,799 ✓	73,160 ✓	4,555,000 ✓
Additions	333,756 ✓	1,814,439 ✓	78,563 ✓	2,226,758 ✓
Disposals	-	(274,074) ✓	(13,011) ✓	(287,085) ✓
Eliminated	-	(17,463) ✓	-	(17,463) ✓
Exchange differences	<u>(135,677)</u> ✓	<u>(279,105)</u> ✓	<u>(6,771)</u> ✓	<u>(421,553)</u> ✓
At 31 December 2013	<u>1,664,120</u> ✓	<u>4,259,596</u> ✓	<u>131,941</u> ✓	<u>6,055,657</u> ✓
DEPRECIATION				
At 1 January 2013	460,150 ✓	1,545,102	21,947	2,027,199
Charge for year	151,986 ✓	623,173	15,437	790,596
Eliminated on disposal	-	(70,859)	(5,592)	(76,451)
Exchange differences	<u>(42,584)</u> ✓	<u>(142,996)</u> ✓	<u>(2,031)</u> ✓	<u>(187,611)</u> ✓
At 31 December 2013	<u>569,552</u> ✓	<u>1,954,420</u> ✓	<u>29,761</u> ✓	<u>2,553,733</u> ✓
NET BOOK VALUE				
At 31 December 2013	<u>1,094,568</u> ✓	<u>2,305,176</u> ✓	<u>102,180</u> ✓	<u>3,501,924</u> ✓
At 31 December 2012	<u>1,005,891</u> ✓	<u>1,470,697</u> ✓	<u>51,213</u> ✓	<u>2,527,801</u> ✓

13 FIXED ASSET INVESTMENTS

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Shares in group undertakings	-	-	1,341,531 ✓	1,341,531 ✓
Interests in group associates	<u>671,125</u> ✓	-	-	-
	<u>671,125</u> ✓	-	<u>1,341,531</u> ✓	<u>1,341,531</u> ✓

LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

13 FIXED ASSET INVESTMENTS - continued

Additional information is as follows

Company

Share in
group
subsidiaries
£

COST

At 1 January 2013
and 31 December 2013

1,341,531

NET BOOK VALUE

At 31 December 2013

1,341,531

At 31 December 2012

1,341,531

The group or the company's investments at the balance sheet date in the share capital of companies include the following

Subsidiaries

LLC LPK

Country of incorporation Russia
Nature of business Retail store and restaurant

Class of shares
Ordinary shares

%
holding
100 00

Aggregate capital and reserves
Loss for the year

2013 £	2012 £
(10,083,164)	(6,452,232)
<u>(4,228,067)</u>	<u>(869,574)</u>

LLC CUMERGERSKY

Country of incorporation Russia
Nature of business Retail store and restaurant

Class of shares
Ordinary shares

%
holding
100 00

Aggregate capital and reserves
Profit for the year

2013 £	2012 £
809,541	711,513
<u>163,877</u>	<u>290,368</u>

LLC GORKIY PARK

Country of incorporation Russia
Nature of business Retail store and restaurant

Class of shares
Ordinary

%
holding
100 00

Aggregate capital and reserves
Profit/(loss) for the year

2013 £	2012 £
95,560	105,242
<u>60</u>	<u>(58,038)</u>

LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

13 FIXED ASSET INVESTMENTS - continued

LLC XLEB NASYSHNII NOVINSKII

Country of incorporation Russia

Nature of business Retail store and restaurant

Class of shares %
Ordinary holding
100 00

	2013	2012
	£	£
Aggregate capital and reserves	(111,236)	(23,262)
Loss for the year	<u>(90,127)</u>	<u>(3,089)</u>

LLC XLEB NASYSHNII PYATNISKAY

Country of incorporation Russia

Nature of business Retail store and restaurant

Class of shares %
Ordinary holding
100 00

	2013	2012
	£	£
Aggregate capital and reserves	463,664	429,030
Profit for the year	<u>74,340</u>	<u>235,470</u>

LLC RAZVITIE

Country of incorporation Russia

Nature of business Retail store and restaurant

Class of shares %
Ordinary holding
100 00

	2013	2012
	£	£
Aggregate capital and reserves	(825,534)	(636,243)
Loss for the year	<u>(248,174)</u>	<u>(130,235)</u>

LLC LPK TAGANKA

Country of incorporation Russia

Nature of business Retail store and restaurant

Class of shares %
Ordinary holding
100 00

	2013	2012
	£	£
Aggregate capital and reserves	(55,854)	(96,374)
Profit for the year	<u>31,599</u>	<u>188,377</u>

LLC LPK TVERSKAYA

Country of incorporation Russia

Nature of business Retail store and restaurant

Class of shares %
Ordinary holding
100 00

	2013	2012
	£	£
Aggregate capital and reserves	(1,171,091)	(1,071,181)
Loss for the year	<u>(199,048)</u>	<u>(262,482)</u>

LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

13 FIXED ASSET INVESTMENTS - continued

LLC NASH XLEB-FILION

Country of incorporation Russia

Nature of business Retail store and restaurant

Class of shares %
Ordinary holding
100 00

Aggregate capital and reserves

Profit for the year

2013	2012
£	£
154,857	137,611
<u>29,981</u>	<u>104,181</u>

YUVIN HOLDINGS LIMITED

Country of incorporation Cyprus

Nature of business Retail store and restaurant

Class of shares %
Ordinary holding
100 00

Aggregate capital and reserves

Loss for the year

2013	2012
£	£
(1,154,259)	(773,518)
<u>(380,741)</u>	<u>(392,722)</u>

LLC VLASTA

Country of incorporation Russia

Nature of business Retail store and restaurant

Class of shares %
Ordinary holding
100 00

Aggregate capital and reserves

Loss for the year

2013	2012
£	£
(6,382,230)	(4,726,345)
<u>(2,093,295)</u>	<u>(2,293,622)</u>

LLC ANDREEVSKIE BULOCHNIE

Country of incorporation Russia

Nature of business Retail store and restaurant

Class of shares %
Ordinary holding
100 00

Aggregate capital and reserves

Profit for the year

2013	2012
£	£
666,553	260,059
<u>666,364</u>	<u>259,851</u>

LLC KHLEBOTEKA

Country of incorporation Russia

Nature of business Retail store and restaurant

Class of shares %
Ordinary holding
100 00

Aggregate capital and reserves

(Loss)/profit for the year

2013	2012
£	£
(20,299)	(9,236)
<u>(11,920)</u>	<u>10,219</u>

LPO RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

13 **FIXED ASSET INVESTMENTS - continued**

LLC NASH XLEB NORD WEST

Country of Incorporation Russia

Nature of business Retail store and restaurant

	%
Class of shares	holding
Ordinary	100.00

Aggregate capital and reserves

Loss for the year

2013
£
✓(275,922)
✓(276,107)

LLC NASH XLEB FOOD & GO

Country of incorporation Russia

Nature of business Dormant

Class of shares	% holding
Ordinary	100.00

GREENLAND PARTNERS LIMITED

Country of incorporation British Virgin Islands

Nature of business Property Investment

Class of shares	% holding	
Ordinary	24 22	✓

BALANCE INVESTING LIMITED

Country of incorporation British Virgin Islands

Nature of business Providing loan funding

Class of shares	% holding
Ordinary	24.22

Group

Group	Interest in group associates
Interests in group associates	✓ £ 671,125

At 31 December 2013

✓ 671,125

14 **STOCKS**

Group

	2013 £	2012 £
Finished goods and small items held for use	<u>1,303,866</u>	<u>442,365</u>
	1,303,866	442,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

15 DEBTORS

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Amounts falling due within one year				
Trade debtors	678,381	375,979	-	-
Other debtors	767,276	567,114	298,263	270,373
VAT	136,530	-	26,704	22,101
Prepayments and accrued income	1,420,435	1,271,096	-	18,726
	<u>3,002,622</u>	<u>2,214,189</u>	<u>324,967</u>	<u>311,200</u>
Amounts falling due after more than one year				
Amount owed by subsidiary company	342,777	-	16,335,558	10,636,163
Deferred tax asset	-	-	-	-
	<u>342,777</u>	<u>-</u>	<u>16,335,558</u>	<u>10,636,163</u>
Aggregate amounts	<u>3,345,399</u>	<u>2,214,189</u>	<u>16,660,525</u>	<u>10,947,363</u>

Nature of evidence supporting recognition of deferred tax asset

Based on future profits of the company (LLC Andreevskie Bulochnie), there is evidence to support that there will be future taxable profits from which to recover the deferred tax asset

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Other loans (see note 18)	56,463	116,715	-	-
Trade creditors	2,222,643	1,695,376	161,214	384,718
Social security and other taxes	2,531,570	894,847	-	-
VAT	-	804,610	-	-
Other creditors	975,940	1,472,439	334,932	1,300,555
Directors' current accounts	240,550	359,150	341,512	376,865
Accrued expenses	737,652	622,134	75,004	132,885
	<u>6,764,818</u>	<u>5,965,271</u>	<u>912,662</u>	<u>2,195,023</u>

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Bank loans (see note 18)	2,033,556	2,053,224	-	-
Other loans (see note 18)	5,448,849	3,338,175	2,959,667	2,097,544
Other creditors	46,126	631,872	46,126	631,872
	<u>7,528,531</u>	<u>6,023,271</u>	<u>3,005,793</u>	<u>2,729,416</u>

LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

18 LOANS

An analysis of the maturity of loans is given below

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Amounts falling due within one year or on demand				
Other loans	<u>56,463</u>	<u>116,715</u>	-	-
Amounts falling due between two and five years				
Bank loans - 2-5 years	2,033,556	2,053,224	-	-
Other loans - 2-5 years	5,448,849	3,338,175	1,392,947	42,593
Amount owed to parent company	-	-	<u>1,566,720</u>	<u>2,054,951</u>
	<u>7,482,405</u>	<u>5,391,399</u>	<u>2,959,667</u>	<u>2,097,544</u>

19 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

Group

	Land and buildings	
	2013 £	2012 £
Expiring		
In more than five years	<u>4,800,707</u>	<u>5,000,879</u>

20 SECURED DEBTS

The following secured debts are included within creditors

	Group	
	2013 £	2012 £
Bank loans	<u>2,033,556</u>	<u>2,053,224</u>

Bank loans are secured over assets of the Group

21 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value £0 01	2013 £	2012 £
7,474,773 (2012 - 5,850,973)	Ordinary shares		<u>74,748</u>	<u>58,510</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

21 CALLED UP SHARE CAPITAL - continued

The following ordinary shares with a nominal value of £0 01 were issued during the year

Issue Price	Number of Shares
£4 10	1,623,800

The total number of shares in issue at 31 December 2013 was 7,474,773 ordinary shares. These shares have been issued at prices ranging from 0 01 pence to 437 pence per share and have been issued for both cash and consideration in lieu of services provided to the company.

Shares issued at a premium resulted in a share premium account of £22,873,398

The company was incorporated with an Authorised Capital of 1,000 shares of £1 each. On 1 November 2006 the company passed an ordinary resolution where the nominal value of the Ordinary shares was reduced from £1 to £0 01 each. The Authorised share capital of the company was also increased from £1,000 to £10,000,000 by the creation of 399,900,000 Ordinary shares of £0 01 each, 400,000,000 B Preference shares of £0 01 each and 2,000,000 A Preference shares of £1 each.

22 RESERVES

Group

	Profit and loss account £	Share premium £	Totals £
At 1 January 2013	(19,154,365)	16,321,657	(2,832,708)
Deficit for the year	(8,262,869)		(8,262,869)
Cash share issue	-	6,551,741	6,551,741
Translation reserve	<u>1,006,151</u>	<u>-</u>	<u>1,006,151</u>
At 31 December 2013	<u>(26,411,083)</u>	<u>22,873,398</u>	<u>(3,537,685)</u>

Company

	Profit and loss account £	Share premium £	Totals £
At 1 January 2013	(6,824,250)	16,321,657	9,497,407
Deficit for the year	(1,354,461)		(1,354,461)
Cash share issue	<u>-</u>	<u>6,551,741</u>	<u>6,551,741</u>
At 31 December 2013	<u>(8,178,711)</u>	<u>22,873,398</u>	<u>14,694,687</u>

LPQ RUSSIA LIMITED AND SUBSIDIARIES (REGISTERED NUMBER: 05892328)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

23 RELATED PARTY DISCLOSURES

The main shareholders in the Company are as follows, who in total control over 51% of the issued and allotted shares

Name of Shareholder	Shares Allotted	%age of shares allotted
LPQ Holdings Limited	1,234,465 ✓	16.52% ✓
A Mladentsev	273,060 ✓	3.65% ✓
R Agee	261,354 ✓	3.50% ✓
Essedel Russian Opportunity Fund KY	1,053,200 ✓	14.09% ✓
Australian Investments Limited	319,832 ✓	4.28% ✓
Denton Holdings Limited	672,000 ✓	8.99% ✓

Included in Executive Management services are consultancy services paid to Retail Experience Ventures Limited, a company under the control of I Zilberkweit amounting to £31,856 and consultancy services to G Gragossian amounting to £31,856 ✓

The amounts owed to Directors as at 31 December 2012 which mainly arose from expenses incurred on behalf of the Group are as follows

I Zilberkweit	£238,998 ✓ (2012 £334,267)
G Gragossian	£1,552 ✓ (2012 £24,883)

24 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2013 £	2012 £
Loss for the financial year	(8,262,869) ✓	(7,652,896) ✓
Share Issue	16,238 ✓	19,036 ✓
Share Premium	6,551,741 ✓	7,158,397 ✓
Translation Reserve	1,006,151 ✓	(109,033) ✓
Net reduction of shareholders' funds	(688,739) ✓	(584,496) ✓
Opening shareholders' funds	(2,774,198) ✓	(2,189,702) ✓
Closing shareholders' funds	<u>(3,462,937) ✓</u>	<u>(2,774,198) ✓</u>

Company

	2013 £	2012 £
Loss for the financial year	(1,354,461) ✓	(1,676,404) ✓
Share Issue	16,238 ✓	19,036 ✓
Share Premium	6,551,741 ✓	7,158,397 ✓
Net addition to shareholders' funds	5,213,518 ✓	5,501,029 ✓
Opening shareholders' funds	9,555,917 ✓	4,054,888 ✓
Closing shareholders' funds	<u>14,769,435 ✓</u>	<u>9,555,917 ✓</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

25 DEFERRED COMPENSATION SCHEME

During the year the Group awarded cash settled deferred compensation to certain employees of group subsidiaries in Moscow in the form of consulting payments

These deferred compensation packages consist of annual bonuses whose value is adjusted proportionally to the development of the share price of the Company. The aim of these payments is retention and motivation of employees who have worked within the group for over 12 months

The total effect of share price linked payment on the Group's Profit & Loss amounted to £73,960 and the total accrued deferred compensation as at 31 December 2013 was £119,111 (included in other creditors) though this sum is unlikely to be paid out in full because people who leave employment of the group voluntarily forfeit the deferred compensation

In the absence of market prices, fair value was estimated using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable and willing parties as evidenced by actual new share capital raised by the Company in the period in question