Etalon Group Limited

Consolidated Financial Statements

For the year ended 31 December 2015

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DIRECTORS' REPORT

Principal activity

The principle activity of Etalon Group Limited and its subsidiaries (together referred to as the "Group") is residential development in Saint-Petersburg metropolitan area and Moscow metropolitan area.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the consolidated 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the consolidated financial statements comply with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of information to Auditors

The Directors confirm that so far as they are aware, there is no information relevant to the audit of which the Company's auditors are unaware. The Directors also confirm that they have taken all steps they ought to have taken as Directors to make themselves aware of any information relevant to the audit and to establish that the Company's auditors are aware of that information.

Directors' Responsibility Statement

The Directors confirm that they have complied with the above requirements in preparing the financial statements and that to the best of our knowledge and belief:

(a) This annual report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces; and

(b) The financial statements, prepared in accordance with the International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company.

Andrew Howat

Director

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Moscow, Russia 123317

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Independent Auditor's Report
to the members of Etalon Group Limited

We have audited the accompanying consolidated financial statements of Etalon Group Limited (the "Company", and together with its subsidiaries, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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's members as a body, for our audit work, for this report or for the opinions we have formed.

Directors' Responsibility for the Consolidated Financial Statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and applicable law, and for such internal control the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for being satisfied that the consolidated financial statements give a true and fair view.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

KPMG

Opinion

In our opinion, the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2015 and of its consolidated financial performance and its consolidated cash flows for the year then ended;
- are in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Andrei Shvetsov
Director
For and on behalf of JSC "KPMG"
Recognized Auditor

18 March 2016

mln RUB	Note	2015	2014
Revenue	6	42 404	51 481
Cost of sales		(29 405)	(35 685)
Gross profit		12 999	15 796
General and administrative expenses	8	(4 348)	(4 178)
Selling expenses		(1 411)	(1 474)
Other expenses, net	9	(991)	(913)
Results from operating activities		6 249	9 231
Finance income	11	1 686	1 717
Finance costs	11	(504)	(553)
Net finance income		1 182	1 164
Profit before income tax		7 431	10 395
Income tax expense	12	(2 002)	(2 026)
Profit for the year		5 429	8 369
Total comprehensive income for the year		5 429	8 369
Profit attributable to:			
Owners of the Company		5 399	8 345
Non-controlling interest		30	24
Profit for the year		5 429	8 369
Total comprehensive income attributable to:			
Owners of the Company		5 399	8 345
Non-controlling interest		30	24
Total comprehensive income for the year		5 429	8 369
Earnings per share			
Basic and diluted earnings per share (RUB)	22	18,48	28,57

These consolidated financial statements were approved by the Board of Directors on 18 March 2016 and were signed on its behalf by:

Andrew Howat

Director

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 51.

mln RUB	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	13	2 479	2 503
Investment property	14	538	808
Other long-term investments	15	578	1 036
Trade and other receivables	18	3 303	2 521
Deferred tax assets	16	1 159	885
Other non-current assets		5	10
Total non-current assets		**8 062**	**7 763**
Current assets			
Inventories	17	67 722	57 525
Trade and other receivables	18	18 227	15 074
Short-term investments	19	733	1 221
Cash and cash equivalents	20	11 532	14 631
Other current assets		7	66
Total current assets		**98 221**	**88 517**
Total assets		**106 283**	**96 280**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	14 999	14 983
Retained earnings		39 697	36 537
Total equity attributable to equity holders of the Company		**54 696**	**51 520**
Non-controlling interest		147	351
Total equity		**54 843**	**51 871**
Non-current liabilities			
Loans and borrowings	23	13 138	12 411
Trade and other payables	25	923	2 854
Provisions	24	117	114
Deferred tax liabilities	16	1 810	1 456
Total non-current liabilities		**15 988**	**16 835**
Current liabilities			
Loans and borrowings	23	6 276	3 880
Trade and other payables	25	25 630	21 460
Provisions	24	3 546	2 234
Total current liabilities		**35 452**	**27 574**
Total equity and liabilities		**106 283**	**96 280**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 51.

	Attributable to equity holders of the Company				
mln RUB	**Share capital**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2014	14 967	29 332	44 299	387	**44 686**
Total comprehensive income for the year					
Profit for the year	-	8 345	8 345	24	**8 369**
Total comprehensive income for the year	-	8 345	8 345	24	**8 369**
Transactions with owners, recorded directly in equity					
Dividends to equity holders		(1 124)	(1 124)	-	**(1 124)**
Changes in ownership interests in subsidiaries that do not result in a loss of control					
Transactions with own shares	16	-	16	-	**16**
Changes in ownership interest in subsidiaries	-	(16)	(16)	(60)	**(76)**
Total transactions with owners	16	(1 140)	(1 124)	(60)	(1 184)
Balance at 31 December 2014	**14 983**	**36 537**	**51 520**	**351**	**51 871**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 51.

mln RUB	Attributable to equity holders of the Company: Share capital	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2015	14 983	36 537	51 520	351	**51 871**
Total comprehensive income for the year					
Profit for the year	-	5 399	5 399	30	**5 429**
Total comprehensive income for the year	-	5 399	5 399	30	**5 429**
Transactions with owners, recorded directly in equity					
Dividends to equity holders	-	(2 452)	(2 452)	-	**(2 452)**
Changes in ownership interests in subsidiaries that do not result in a loss of control					
Transactions with own shares	16	-	16	-	**16**
Changes in ownership interest in subsidiaries	-	213	213	(234)	**(21)**
Total transactions with owners	16	(2 239)	(2 223)	(234)	(2 457)
Balance at 31 December 2015	**14 999**	**39 697**	**54 696**	**147**	**54 843**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 51.

mln RUB	**Notes**	**2015**	**2014**
OPERATING ACTIVITIES:			
Profit for the year		5 429	8 369
Adjustments for:			
Depreciation	13, 14	406	417
Loss / (gain) on disposal of property, plant and equipment	9	(65)	(52)
Impairment loss on investment property	9	215	280
Impairment loss on inventories	9	514	466
Finance income, net		(1 182)	(1 164)
Income tax expense		2 002	2 026
Cash from operating activities before changes in working capital and provisions		**7 319**	**10 342**
Change in inventories		(8 255)	(6 890)
Change in accounts receivable		(3 958)	(1 427)
Change in accounts payable		2 369	1 184
Change in provisions	24	1 315	594
Change in other current assets		59	(59)
Income tax paid		(2 146)	(1 645)
Interest paid		(2 516)	(1 588)
Net cash (used in) / from operating activities		**(5 813)**	**511**
INVESTING ACTIVITIES:			
Proceeds from disposal of non-current assets		188	66
Interest received		1 311	823
Acquisition of property, plant and equipment		(369)	(653)
Loans given		(123)	(178)
Loans repaid		66	174
Disposal of subsidiaries, net of cash disposed of		-	7
(Acquisition)/disposal of other investments		1 155	3 038
Net cash from / (used in) investing activities		**2 228**	**3 277**
FINANCING ACTIVITIES:			
Acquisition of non-controlling interest		(20)	(83)
Proceeds from borrowings		9 480	10 763
Repayments of borrowings		(6 281)	(8 498)
Acquisition of own shares		16	16
Dividends paid		(2 452)	(1 124)
Net cash from financing activities		**743**	**1 074**
Net (decrease) / increase in cash and cash equivalents		(2 842)	4 862
Cash and cash equivalents at the beginning of the year		14 631	8 139
Effect of exchange rate fluctuations on cash and cash equivalents		(257)	1 630
Cash and cash equivalents at the end of the year	20	**11 532**	**14 631**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 51.

1 Background

a) Organisation and operations

Etalon Group Limited (or the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian open and closed joint stock companies and limited liability companies as defined in the Civil Code of the Russian Federation and companies located abroad. The Company was incorporated on 8 November 2007 in the Bailiwick of Guernsey.

The Company's registered office is located at:
Redwood House,
St. Julian Avenue
St. Peter Port
Guernsey
GY1 1WA

The Group's principal activity is residential development in Saint-Petersburg metropolitan area and Moscow metropolitan area, the Russian Federation.

In April 2011, the Company completed initial public offering and placed its ordinary shares in the form of global depository receipts ("GDR") on the London Stock Exchange's Main Market.

Related party transactions are disclosed in note 30.

b) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). They show a true and fair view of the assets, liabilities, financial position and profit of the Group and are in compliance with the Companies (Guernsey) Law, 2008.

b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. The functional currency of the Group's subsidiaries, including foreign operations, is RUB, as the activities of foreign operations are carried out as an extension of the activities of the Group in the Russian Federation.

All financial information presented in RUB has been rounded to the nearest million.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, 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 those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, as well as information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 17 – inventory – barter transactions, obsolescence provisions;
- Note 24 – provisions;
- Note 29 – contingencies;
- Note 31 - structured entities.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Business combinations arising from transfers of interests in entities that are under the control of the shareholders that control the Group are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in acquired entity's financial statements. Any difference between the book value of net assets acquired and consideration paid is recognised as a contribution from, or distribution to, shareholders.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group's significant subsidiaries are disclosed in Note 31.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

c) Financial instruments

(i) Financial assets

The Group's financial assets comprise investments in equity and debt securities, loans given, trade and other receivables, and cash and cash equivalents.

The Group initially recognises loans and receivables and deposits on the date that they are originated.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(ii) Financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for loans given and receivables at a specific asset level. All receivables and loans are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

d) Advances received and paid

Due to the nature of its activities the Group receives significant advances from customers, and makes significant prepayments to sub-contractors and other suppliers. Advances received and paid are recognised on an undiscounted basis in other payables and other receivables.

e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss, except for certain items of property plant and equipment purchased before 1 January 2003. Historical cost for such items was determined in accordance with IAS 29 "Financial reporting in hyperinflationary economies" by applying a purchase price index determined by the state statistics committee.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 January 2008, the date of transition to IFRSs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings and constructions 7-30 years;
- Machinery and equipment 5-15 years;
- Vehicles 5-10 years;
- Other assets 3-7 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. No estimates in respect of plant and equipment were revised in 2015.

f) Inventories

Inventories comprise real estate properties under construction (including residential premises, stand-alone and built-in commercial premises) when the Group acts in the capacity of a developer, finished goods, and construction and other materials.

The Group accounts for stand-alone and built-in commercial properties within inventories because it does not intend to engage in renting-out those assets and keeping those as investment properties to generate rental income and benefit from appreciation. Properties classified as inventory may be rented out on a temporary basis while the Group is searching for a buyer. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses and is determined on an undiscounted basis.

The cost of real estate properties under construction is determined on the basis of specific identification of their individual costs. The costs of individual residential units and built-in commercial premises are arrived at by allocating the costs of a particular development project to individual apartments and built-in premises on a pro rata basis relative to their size.

The costs of real estate property comprise costs of construction and other expenditure directly attributable to a particular development project, including finance costs.

The cost of inventories, other than construction work in progress intended for sale, is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity.

Transfer from real estate properties under construction to the stock of finished goods occurs when the respective building is approved by the State commission established by the local regulating authorities for acceptance of finished buildings.

The Group's inventory is not limited to 12 months and may be of longer term since the development cycle exceeds 12 months. Inventories are classified as current assets even when they are not expected to be realised within twelve months after the reporting date.

g) Revenue

(i) Revenue from sale of real estate properties (including flats, commercial premises and parking places)

Revenue from the sale of real estate properties is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The Group generally considers that risks and rewards have been transferred on the date when a buyer signs the act of acceptance of the property. However, transfer of risks and rewards may vary depending on the individual terms of the sales contracts.

When sales are contracted under share participation agreements the significant risks and rewards of ownership are considered to have been transferred to individual buyers when the construction is completed and the building has been approved by the State commission for acceptance of finished buildings.

In relation to sales via housing cooperatives, revenue is recognised on the date when sold real estate property is transferred to, and accepted by, the cooperative. Before that date, the respective building has to be approved by the State commission for acceptance of finished buildings.

(ii) Revenue from construction services

For accounting purposes the Group distinguishes two types of construction contracts:

1) Contracts for provision of construction services;
2) Contracts for construction of an asset falling within the scope of IAS 11 *Construction Contracts*.

For the first type of contracts revenue from construction services rendered is recognised in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. These contracts are normally short-term, therefore revenue is recognised when the customer signs the act of acceptance of the construction service.

For the second type of contracts revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group recognises the following assets and liabilities related to construction contracts:

- unbilled receivables represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Unbilled receivables are presented as part of trade and other receivables in the consolidated statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings;
- billings in excess of work completed are recognised as a part of trade and other payables if progress billings exceed costs incurred plus recognised profits.

(iii) Revenue from sale of construction materials

Revenue from the sale of construction materials produced by the Group is recognised in the consolidated statement of profit or loss and other comprehensive income when significant risks and rewards of ownership have been transferred to the buyer.

(iv) Rental income

Rental income from stand-alone and built-in commercial properties (see note 3(f)) is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

h) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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.

i) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December, 2015, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018. The new standard replaces International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The Group recognises that the new standard introduces many changes to the accounting for financial instruments, but has yet to analyse the impact of these changes. The Group does not intend to adopt this standard early.
- IFRS 15 *Revenue from Contracts with Customers* will be effective for annual periods beginning on or after 1 January 2018. The new standard replaces International Financial Reporting Standard IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, SIC 31 Revenue - Barter Transactions Involving Advertising Services. The Group has not yet analysed the likely impact of the standards on its financial position or performance.
- IFRS 16 Leases will be effective for annual periods beginning on or after 1 January 2019. The new standard replaces International Financial Reporting Standard IAS 17 Leases, IFRIC 4 Determining whether an Arrangment contains a Lease, SIC-15 Operating Leases - Incentives, SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group has not yet analysed the likely impact of the standards on its financial position or performance.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, came into effect after 1 January 2016. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Non-derivative financial assets

The fair value of trade and other receivables, excluding construction work in progress and held to maturity investments, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

b) Derivatives

For the contracts concluded before April 2015 the Group denominates its trade receivables from sales of commercial and residential properties in conditional units that are linked to RUB/USD exchange rate. The upper and lower ranges of possible fluctuations of exchange rate are fixed in the sales contracts.

Due to current market conditions the Group suspends applying upper and lower ranges of exchange rate (corridor 32 RUB – 36 RUB per a conditional unit, prescribed by sales contracts) for its settlements and used conversion rate equal to 32 RUB and 33 RUB per a conditional unit before February 2015 and after February 2015, respectively.

Starting from April 2015 all sales are denominated in RUB.

c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- *Residential Development*. Includes construction of residential real estate including flats, built-in premises and parking places.
- *Construction services*. Includes construction services for third parties and for internal purpose.
- *Other operations.* Include selling of construction materials, construction of stand-alone premises for commercial use and various services related to sale and servicing of premises. None of these meet any of the quantitative thresholds for determining reportable segments during the year ended 31 December 2015 or 2014.

a) Information about reportable segments

	Residential development		Construction services		Other		Total	
mln RUB	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
External revenues	32 474	37 560	4 877	9 909	5 053	4 012	**42 404**	**51 481**
Inter-segment revenue	-	-	9 846	12 823	829	1 119	**10 675**	**13 942**
Total segment revenue	32 474	37 560	14 723	22 732	5 882	5 131	**53 079**	**65 423**
Gross profit	11 722	14 056	499	1 369	317	1 017	**12 538**	**16 442**
Interest in cost of sales (note 11)	897	1 024	-	-	-	-	**897**	**1 024**
Gross profit adjusted for interest in cost of sales	12 619	15 080	499	1 369	317	1 017	**13 435**	**17 466**
Gross profit adjusted, %	39%	40%						
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Reportable segment assets: inventory	70 571	60 044	515	572	773	659	**71 859**	**61 275**
Reportable segment liabilities: advances from customers	13 929	10 398	4 112	2 397	238	358	**18 279**	**13 153**

b) Geographical information

In presenting information on the basis of geographical information, revenue is based on the geographical location of properties.

	Revenues		Non-current assets	
mln RUB	**2015**	**2014**	**2015**	**2014**
St. Petersburg metropolitan area	35 051	42 672	5 460	5 611
Moscow metropolitan area	7 353	8 809	2 602	2 152
	42 404	**51 481**	**8 062**	**7 763**

c) Major customer

Revenue from one customer of the Group, recognised within the segment “Residential development”, amounted to RUB 3 541 million or 8% of the Group’s total revenue for the year ended 31 December 2015 (revenue from major customer within the segment "Construction services” for the year ended 31 December 2014: RUB 7 539 million or 15 % of the Group’s total revenue).

d) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

mln RUB

	2015	2014
Revenues		
Total revenue for reportable segments	53 079	65 423
Elimination of inter-segment revenue	(10 675)	(13 942)
Consolidated revenue	42 404	51 481
Profit or loss		
Gross profit for reportable segments	12 538	16 442
General and administrative expenses	(4 348)	(4 178)
Selling expenses	(1 411)	(1 474)
Other expenses, net	(991)	(913)
Finance income	1 686	1 717
Finance costs	(504)	(553)
Elimination of inter-segment loss/ (profit)	461	(646)
Consolidated profit before income tax	7 431	10 395

	2015	2014
Assets		
Total assets for reportable segments: inventories	71 859	61 275
Elimination of unrealised gain	(4 137)	(3 750)
Total inventories	67 722	57 525
Liabilities		
Total liabilities for reportable segments: advances from customers	18 279	13 153
Elimination of intersegment advances	(1 489)	(1 084)
Total advances from customers	16 790	12 069

Performance of the reporting segments is measured by the management based on gross profits as the most relevant in evaluating the results of certain segments. General and administrative expenses, selling expenses, finance income and finance costs are treated as equally attributable to all reporting segments and are not analysed by the Group and therefore not reported for each individual segment.

Segments' assets and segments' liabilities being analysed by the Board of Directors include inventories and advances received from customers as the key indicators relevant for segment performance measurement. Therefore, other assets and liabilities are not allocated between the segments.

6 Revenue

mln RUB	**2015**	**2014**
Sale of flats	30 132	35 270
Sale of built-in commercial premises	1 519	1 772
Sale of parking places	823	518
Total revenue of segment Residential development (note 5 (a))	32 474	37 560
Construction contracts (note 7)	4 242	9 145
Other construction services	635	764
Total revenue of segment Construction services (note 5 (a))	4 877	9 909
Sale of construction materials	1 991	1 011
Sale of stand-alone commercial premises	284	25
Rental revenue	686	683
Other revenue	2 092	2 293
Total other revenue (note 5 (a))	5 053	4 012
Total revenues	**42 404**	**51 481**

7 Construction contracts

mln RUB	**2015**	**2014**
Revenue recognised during the year	4 242	9 145
Costs incurred	(4 023)	(8 316)
Recognised profits during the year	**219**	**829**

	2015	**2014**
For contracts in progress - aggregate amount of costs incurred and recognised profits to date	7 656	3 450
Unbilled receivables	1 142	507
Billings in excess of work completed	210	79
Retentions relating to construction contracts	11	201

Revenue recognised during the year is included into the line “Construction services” in note 6.

Unbilled receivables under construction contracts and retentions relating to construction contracts in progress are included into accounts receivable (see note 18).

Advances for which the related work has not started, and billings in excess of costs incurred and recognised profits, are presented as accounts payable (see note 25).

8 General and administrative expenses

mln RUB	**2015**	**2014**
Payroll and related taxes	3 142	2 913
Services	258	213
Audit and consulting services	267	275
Bank fees and commissions	95	117
Materials	57	90
Repair and maintenance	39	99
Depreciation	63	94
Other taxes	177	111
Other	250	266
Total	**4 348**	**4 178**

9 Other expenses, net

mln RUB ***Other income***	**2015**	**2014**
Gain on disposal of property, plant and equipment	65	52
Gain on disposal of inventory	13	76
Fees and penalties received	-	25
Other income	13	-
	91	**153**
Other expenses		
Impairment loss on inventory (Note 17)	(514)	(466)
Impairment of investment property (Note 14)	(215)	(280)
Loss on disposal of subsidiaries	(44)	-
Other expenses	(309)	(320)
	(1 082)	**(1 066)**
Other expenses, net	**(991)**	**(913)**

10 Personnel costs

mln RUB	**2015**	**2014**
Wages and salaries	5 101	5 392
Contributions to State pension fund	1 119	1 028
	6 220	**6 420**

Remuneration to employees in respect of services rendered during the year is recognised on an undiscounted basis as an expense in the consolidated statement of profit or loss and other comprehensive income as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or other profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group pays fixed contributions to Russia's State pension fund and has no legal or constructive obligation to pay further amounts.

During the year ended 31 December 2015 personnel costs and related taxes included in cost of production amounted to RUB 2 707 million (year ended 31 December 2014: RUB 3 048 million). The remaining part of personnel expenses was subsumed within general and administrative expenses (see note 8) and selling expenses in the amount of RUB 371 million (year ended 31 December 2014: RUB 459 million).

11 Finance income and finance costs

mln RUB	**2015**	**2014**
Recognised in profit or loss		
Finance income		
Interest income on bank deposits	1 089	729
Net foreign exchange gain	-	814
Unwinding of discount on trade receivables	356	72
Interest income on loans and receivables	222	94
Gain on write-off of accounts payable	19	8
Finance income	**1 686**	**1 717**
Finance costs		
Interest expense on loans	(3)	(272)
Increase in allowance for doubtful accounts receivable	(288)	(226)
Net foreign exchange loss	(138)	-
Interest expense on finance leases	(16)	(23)
Loss on write-off of accounts receivable	(59)	(32)
Finance costs	**(504)**	**(553)**

In addition to interest expense recognised in the consolidated statement of profit or loss and other comprehensive income, the following amounts of borrowing costs have been capitalised into the cost of real estate properties under construction:

mln RUB	**2015**	**2014**
Borrowing costs capitalised during the year	2 561	1 324
Weighted average capitalisation rate	13,8%	11,7%

During the year ended 31 December 2015, borrowing costs that have been capitalised into the cost of real estate properties under construction in the amount of RUB 897 million (year ended 31 December 2014: RUB 1 024 million), were included into the cost of sales upon completion of construction and sale of those properties.

12 Income tax expense

The Company's applicable tax rate under the Income Tax (Zero/Ten) (Guernsey) Law, 2007 is 0%.

The Group's applicable tax rate is the income tax rate of 20% for Russian companies (2014: 20%).

mln RUB	2015	2014
Current tax expense		
Current year	1 902	1 707
Under-provided/(over-provided) in prior year	20	14
	1 922	1 721
Deferred tax expense		
Origination and reversal of temporary differences	80	305
Income tax expense	**2 002**	**2 026**

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate 20% (2014: 20%):

mln RUB	2015	2014
Profit before tax	7 431	10 395
Theoretical income tax at statutory rate of 20%	1 486	2 079
Adjustments due to:		
Expenses not deductible and income not taxable for tax purposes, net	516	(53)
Income tax expense	**2 002**	**2 026**

13 Property, plant and equipment

During the year ended 31 December 2015, depreciation expense of RUB 284 million (year ended 31 December 2014: RUB 271 million) has been charged to cost of sales, RUB 20 million (year ended 31 December 2014: RUB 21 million) to cost of real estate properties under construction, RUB 6 million (year ended 31 December 2014: RUB 4 million) to selling expenses and RUB 63 million (year ended 31 December 2014: RUB 94 million) to general and administrative expenses.

a) Security

At 31 December 2015 properties with a carrying amount of RUB 72 million (31 December 2014: RUB 74 million) are subject to a registered debenture to secure bank loans (see note 23).

b) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2015 the net book value of leased plant and machinery was RUB 223 million (31 December 2014: RUB 243 million). The leased equipment secures lease obligations.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
Cost							
Balance at 1 January 2014	766	2 347	119	119	26	110	**3 487**
Additions	166	281	26	43	100	37	**653**
Reclassification from inventories	41	-	-	-	-	255	**296**
Disposals	(69)	(57)	(15)	(8)	-	-	**(149)**
Transfers	95	1	-	-	-	(96)	**-**
Balance at 31 December 2014	999	2 572	130	154	126	306	**4 287**
Balance at 1 January 2015	999	2 572	130	154	126	306	**4 287**
Additions	186	73	17	23	3	67	**369**
Reclassification from inventories	45	-	-	-	-	203	**248**
Disposals	(180)	(184)	(37)	(26)	(12)	-	**(439)**
Transfer to inventory	(142)	-	-	-	-	-	**(142)**
Transfers	30	1	-	12	-	(43)	**-**
Balance at 31 December 2015	938	2 462	110	163	117	533	**4 323**
Depreciation and impairment losses							
Balance at 1 January 2014	(263)	(1 132)	(46)	(84)	-	-	**(1 525)**
Depreciation for the year	(109)	(241)	(22)	(18)	-	-	**(390)**
Disposals	61	52	10	8	-	-	**131**
Balance at 31 December 2014	(311)	(1 321)	(58)	(94)	-	-	**(1 784)**
Balance at 1 January 2015	(311)	(1 321)	(58)	(94)	-	-	**(1 784)**
Depreciation for the year	(80)	(251)	(23)	(19)	-	-	**(373)**
Disposals	136	142	21	14	-	-	**313**
Balance at 31 December 2015	(255)	(1 430)	(60)	(99)	-	-	**(1 844)**
Carrying amounts							
Balance at 1 January 2014	503	1 215	73	35	26	110	**1 962**
Balance at 31 December 2014	688	1 251	72	60	126	306	**2 503**
Balance at 1 January 2015	688	1 251	72	60	126	306	**2 503**
Balance at 31 December 2015	683	1 032	50	64	117	533	**2 479**

14 Investment property

mln RUB	**2015**	**2014**
Cost		
Balance at 1 January	1 463	1 469
Transfers to inventories	(7)	(6)
Balance at 31 December	**1 456**	**1 463**
Accumulated depreciation and impairment losses		
Balance at 1 January	(655)	(327)
Depreciation for the year	(48)	(48)
Impairment loss	(215)	(280)
Balance at 31 December	**(918)**	**(655)**
Carrying amount at 1 January	808	1 142
Carrying amount at 31 December	**538**	**808**

The Group's investment properties represent various commercial property (a retail and exhibition complex and business centers). The Group accounts for investment properties at cost less accumulated depreciation and impairment losses.

The Group determines fair value of its investment properties on an annual basis by engaging an independent valuer. As at 31 December 2015 fair value amounted to RUB 538 million, which was determined based on discounted cash flows from the use of the property using the income approach. Volatile economic situation negatively affected fair value of commercial property, as a result, during the year ended 31 December 2015 the Group has recognised an impairment loss of RUB 215 million for properties, which carrying amounts exceeded fair value (year ended 31 December 2014: RUB 280 million).

15 Other long-term investments

mln RUB	**2015**	**2014**
Bank promissory notes	563	765
Loans, at amortised cost	15	31
Bank deposits	-	240
	578	**1 036**

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26. Bank promissory notes are pledged as security of secured bank loans and as security for liability for acquisition of land plot.

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
mln RUB	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Property, plant and equipment	180	133	(252)	(310)	(72)	(177)
Investments	14	13	-	-	14	13
Inventories	1 229	1 211	(308)	(102)	921	1 109
Trade and other receivables	724	394	(2 656)	(2 696)	(1 932)	(2 302)
Deferred expenses	51	28	(574)	(311)	(523)	(283)
Loans and borrowings	15	15	(3)	(5)	12	10
Provisions	188	337	(9)	25	179	362
Trade and other payables	1 007	734	(443)	(189)	564	545
Tax loss carry-forwards	144	98	1	(1)	145	97
Other	63	69	(22)	(14)	41	55
Tax assets/(liabilities)	3 615	3 032	(4 266)	(3 603)	(651)	(571)
Set off of tax	(2 456)	(2 147)	2 456	2 147	-	-
Net tax assets/(liabilities)	**1 159**	**885**	**(1 810)**	**(1 456)**	**(651)**	**(571)**

(b) Unrecognised deferred tax liability

At 31 December 2015 a deferred tax liability of RUB 1 871 million (31 December 2014: RUB 1 597 million) arising on temporary differences of RUB 37 425 million (31 December 2014: RUB 31 944 million) related to investments in subsidiaries was not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(c) Movement in temporary differences during the year

mln RUB	1 January 2015	Recognised in profit or loss	31 December 2015
Property, plant and equipment	(177)	105	(72)
Investments	13	1	14
Inventories	1 109	(188)	921
Trade and other receivables	(2 302)	370	(1 932)
Deferred expenses	(283)	(240)	(523)
Loans and borrowings	10	2	12
Provisions	362	(183)	179
Trade and other payables	545	19	564
Tax loss carry-forwards	97	48	145
Other	55	(14)	41
	(571)	**(80)**	**(651)**

mln RUB	1 January 2014	Recognised in profit or loss	31 December 2014
Property, plant and equipment	(199)	22	(177)
Investments	13	-	13
Inventories	165	944	1 109
Trade and other receivables	(1 054)	(1 248)	(2 302)
Deferred expenses	30	(313)	(283)
Loans and borrowings	10	-	10
Provisions	87	275	362
Trade and other payables	531	14	545
Tax loss carry-forwards	94	3	97
Other	57	(2)	55
	(266)	**(305)**	**(571)**

17 Inventories

mln RUB	2015	2014
Own flats under construction	28 595	25 048
Own flats	21 029	18 148
Built-in commercial premises under construction	5 179	4 293
Built-in and stand-alone commercial premises	3 103	2 190
Parking places under construction	7 561	5 898
Parking places	2 569	1 649
Construction materials	582	645
Other	90	126
	68 708	**57 997**
Less: Allowance for obsolete inventory	(986)	(472)
Total	**67 722**	**57 525**

a) Barter transactions

Project 1

In 2013, the Group entered into transaction for acquisition of land plot where a part of acquisition price has to be paid by means of transfer of certain percentage of flats constructed on this land plot. The Group has recognized the land component of this construction project within inventories at fair value of land plot acquired. The fair value of land plot equal to RUB 1 306 million was determined by an independent appraiser based on discounted cash flows from the construction and sale of properties.

Project 2

The Group entered into transaction for acquisition of land plots (3 lots) where a part of acquisition price has to be paid by means of transfer of certain percentage of flats constructed on this land plot. In 2013, the Group has recognized the land component of this construction project (lot 1) within inventories at fair value of land plot acquired, equal to RUB 1 862 million. In 2014 the Group has recognized land component of this construction project (lot 2) within inventories at fair value of land plot acquired, equal to RUB 3 835 million. The fair value of land plot was determined by an independent appraiser based on discounted cash flows from the construction and sale of properties. The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – within 4,5% per annum;
- Discount rates – within 11,5% - 12,7% per annum.

In 2015 the Group has recognized land component of this construction project (part of lot 3) within inventories at fair value of land plot acquired, equal to RUB 3 105 million. The fair value of land plot was determined by an independent appraiser based on discounted cash flows from the construction and sale of properties.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – within 5% per annum;
- Discount rates – within 25% per annum.

Project 3

The Group entered into transaction for acquisition of investment rights for land plots where a part of acquisition price has to be paid by means of transfer of certain premises constructed on these land plots. The Group has recognized the land component of this construction project within inventories at fair value of investment rights acquired. The fair value of the investments rights acquired equal to RUB 4 522 million was determined based on discounted cash flows from the construction and sale of properties.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – within 10% per annum;
- Discount rates – 23% per annum.

Accordingly, at 31 December 2015 the cost of land plots (Project 1 and Project 2) measured as described above and related to sold premises was recognised in cost of sales of 2013, 2014, year 2015 in the amount of RUB 5 991 million, the remaining balance of RUB 2 810 million is included to finished goods and RUB 5 829 million to inventories under construction.

In the course of implementation of several development projects the Group has to construct and then transfer certain social infrastructure to the City Authorities. As at 31 December 2015 the cost of such social infrastructure amounts RUB 2 296 million and is included in the balance of finished goods and inventories under construction (31 December 2014: RUB 1 818 million).

b) Allowance for obsolete inventory

The following is movement in the allowance for obsolete inventory:

mln RUB	**2015**	**2014**
Balance at the beginning of the year	472	6
Change in allowance for obsolete inventory	514	466
Balance at end of the year	**986**	**472**

As at 31 December 2015 the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 986 million (2014: RUB 472 million) and the respective allowance was recognised in other expenses, see note 9. As at 31 December 2015 the allowance equal to RUB 937 million relates to parking places.

The balance of parking places is equal to RUB 10 130 million as at 31 December 2015 (31 December 2014: RUB 7 547 million). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;
- Discount rates – 14-17% per annum;
- Inflation rates – 5-11% per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information of parking places considered analogues.

The determination of net realizable value for parking places is subject to significant estimation uncertainty and, as such, the impairment allowance is judgmental. Changes in the above assumptions – in particular the discount rate and the years of turnover of parking places - could have a material impact on the amount.

c) Rent out of property classified as inventories

The Group has temporarily rented out part of certain items of property classified as inventories in these consolidated financial statements. The total carrying value of these items of property was RUB 1 282 million as at 31 December 2015 (31 December 2014: RUB 1 174 million). The Group is actively seeking buyers for these properties.

d) Pledges

Inventories with a carrying amount of RUB 7 367 million (31 December 2014: RUB 2 522 million) are pledged as security for borrowings, see note 23.

18 Trade and other receivables

mln RUB	2015	2014
Long-term		
Trade receivables	3 293	2 360
Advances paid to suppliers	2	10
Other receivables	8	151
	3 303	**2 521**
Short-term		
Advances paid to suppliers	8 444	6 920
VAT recoverable	1 730	1 818
Trade receivables	6 832	5 721
Income tax receivable	358	159
Unbilled receivables	1 142	507
Trade receivables due from related parties	36	32
Other taxes receivable	12	10
Other receivables due from related parties	1	2
Other receivables	260	205
	18 815	**15 374**
Less: Allowance for doubtful accounts receivable	(588)	(300)
Short-term less allowance	**18 227**	**15 074**
Total	**21 530**	**17 595**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

19 Short-term investments

mln RUB	2015	2014
Bank deposits (over 3 months)	485	784
Bank promissory notes	121	385
Other	127	52
	733	**1 221**

As at 31 December 2015 no bank promissory notes are pledged as security for fulfilment of obligations under construction contract recognised within the segment “Construction services” (as at 31 December 2014: RUB 385 million).

The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

20 Cash and cash equivalents

mln RUB	2015	2014
Cash in banks, in USD	1 147	2 936
Cash in banks, in RUB	2 993	1 499
Cash in banks, in EUR	82	1 935
Petty cash	46	25
Cash in transit	10	17
Short-term deposits (less than 3 months)	7 254	8 219
Total	**11 532**	**14 631**

The Group keeps major bank balances in the following Russian banks - Bank St. Petersburg, Alfa Bank, Sberbank and London branch of Citibank.

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

21 Capital and reserves

a) Share capital

The table below summarizes the information about the share capital of Etalon Group Limited.

Number of shares unless otherwise stated	**Ordinary shares**	
	2015	**2014**
Authorised shares		
Par value at beginning of year	0,00005 GBP	0,00005 GBP
On issue at beginning of year	292 129 971	292 029 971
Par value at end of year	0,00005 GBP	0,00005 GBP
Own shares distributed	100 000	100 000
On issue at end of year, fully paid	**292 229 971**	**292 129 971**

The holders of ordinary shares are entitled to receive dividends and to one vote per share at meetings of the Company.

b) Own shares

On 23 November 2011, the independent shareholders of the Company approved the purchase of Global Depositary Receipts (GDR's) representing ordinary shares of the Company of up to 9,25% of the Company's issued share capital. The Programme commenced on 24 November 2011 and was indefinitely suspended on 12 March 2012. As at 31 December 2015, the Group has acquired 2 728 000 own shares or 1% of issued share capital (as at 31 December 2014: 2 828 000 own shares or 1% of issued share capital) for the consideration of RUB 440 million (as at 31 December 2014: RUB 456 million).

The consideration paid for own shares, including directly attributable costs, net of any tax effects, are recognised as a deduction from equity. When own shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

c) Dividends

As the majority of the Company's subsidiaries are incorporated in the Russian Federation, and in accordance with Russian legislation, the subsidiaries' distributable reserves are limited to the balance of retained earnings as recorded in their statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2015, the total of subsidiaries' retained earnings, including the profits for the current year were RUB 36 115 million (31 December 2014: RUB 31 944 million). Dividends in the amount RUB 2 452 million have been declared and paid by the Company during the year ended 31 December 2015 (year ended 31 December 2014: RUB 1 124 million). Dividends per share amounted to 8,39 RUB during the year ended 31 December 2015.

d) Non-controlling interest in subsidiaries

During the year ended 31 December 2015 the Group has acquired and disposed of certain interests in a number of its subsidiaries. The transactions resulted in a decrease of non-controlling interest of RUB 234 million during the year ended 31 December 2015 and in a decrease in non-controlling interest of RUB 60 million during the year ended 31 December 2014.

22 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, as shown below. The Company has no dilutive potential ordinary shares.

Number of shares unless otherwise stated	**2015**	**2014**
Issued shares at 1 January	292 129 971	292 029 971
Effect of own shares distributed	65 206	66 576
Weighted average number of shares for the year ended 31 December	**292 195 177**	**292 096 547**
Profit attributable to the owners of the Company, mln RUB	5 399	8 345
Basic and diluted earnings per share (RUB)	18,48	28,57

23 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 26.

mln RUB	2015	2014
Non-current liabilities		
Secured bank loans	3 268	2 995
Unsecured bank loans	7 627	4 980
Unsecured bond issues	2 243	4 436
	13 138	**12 411**
Current liabilities		
Current portion of secured bank loans	3 273	1 037
Current portion of unsecured bank loans	778	2 267
Current portion of unsecured bond issues	2 225	576
	6 276	**3 880**

a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2015		2014	
mln RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loans				**6 541**	**6 541**	**4 032**	**4 032**
Secured bank loan	RUB	14,50%	2015	-	-	56	56
Secured bank loan	RUB	15,00%	2015	-	-	328	328
Secured bank loan	RUB	15,00%	2015	-	-	237	237
Secured bank loan	RUB	14,50%	2016	333	333	1 117	1 117
Secured bank loan	RUB	13,00%	2017	671	671	671	671
Secured bank loan	RUB	15,00%	2017	3 386	3 386	-	-
Secured bank loan	RUB	16,53%	2017	450	450	-	-
Secured bank loan	RUB	12,40%	2021	440	440	500	500
Secured bank loan	RUB	12,40%	2021	1 261	1 261	1 123	1 123
Unsecured bank loans				**8 405**	**8 405**	**7 247**	**7 247**
Unsecured bank loan	EUR	EURIBOR 6M+3,2%	2015	-	-	1 384	1 384
Unsecured bank loan	RUB	15,94%	2015	-	-	2	2
Unsecured bank loan	RUB	12,50%	2015	-	-	203	203
Unsecured bank loan	RUB	14,75%	2015	-	-	578	578
Unsecured bank loan	RUB	11,95%	2016	291	291	679	679
Unsecured bank loan	RUB	14,00%	2017	400	400	400	400
Unsecured bank loan	RUB	14,00%	2017	600	600	600	600
Unsecured bank loan	RUB	14,00%	2017	201	201	201	201
Unsecured bank loan	RUB	12,92%-13,42%	2017	1 200	1 200	1 200	1 200
Unsecured bank loan	RUB	14,95%	2020	1 300	1 300	-	-
Unsecured bank loan	RUB	13,50%	2019	1 000	1 000	-	-
Unsecured bank loan	RUB	15,00%	2017	506	506	-	-
Unsecured bank loan	RUB	16,53%	2017	300	300	-	-
Unsecured bank loan	RUB	12,10%	2018	500	500	500	500
Unsecured bank loan	RUB	13,50%	2018	1 500	1 500	1 500	1 500
Unsecured bank loan	RUB	14,00%	2019	607	607	-	-
Unsecured bond issues				**4 475**	**4 468**	**5 027**	**5 012**
Unsecured bonds	RUB	12,90%	2017	4 475	4 468	5 027	5 012
				19 421	**19 414**	**16 306**	**16 291**

Bank loans are secured by:

- buildings with a carrying amount of RUB 72 million (31 December 2014: RUB 74 million), see note 13;
- inventories with a carrying amount of RUB 7 367 million (31 December 2014: RUB 2 522 million), see note 17;
- bank promissory notes with a carrying amount of RUB 866 million (31 December 2014: RUB 723 million);
- pledge of 32% of shares in a subsidiary company CJSC "Zatonskoe" (31 December 2014: pledge of 32% of shares in a subsidiary company CJSC "Zatonskoe").

The bank loans are subject to certain restrictive covenants, which are calculated based on the individual financial statements of certain entities of the Group. There has been no significant breach of any of the restrictive covenants during the reporting year.

24 Provisions

mln RUB	**Warranties**	**Provision for deferred works**	**Total**
Balance at 1 January 2014	89	1 665	1 754
Provisions made during the year	30	4 637	4 667
Provisions used during the year	(5)	(4 068)	(4 073)
Balance at 31 December 2014	**114**	**2 234**	**2 348**
Balance at 1 January 2015	114	2 234	2 348
Provisions made during the year	27	3 811	3 838
Provisions used during the year	(24)	(2 499)	(2 523)
Balance at 31 December 2015	**117**	**3 546**	**3 663**
Non-current	117	-	117
Current	-	3 546	3 546
	117	**3 546**	**3 663**

a) Warranties

The provision for warranties relates mainly to the residential units sold during the year. The provision is based on estimates made from historical experience from the sale of such units. The Group expects the expenses to be incurred over the next three years in average. For the production companies, the warranty provision relates to construction works done.

b) Provision for deferred works

The Group records provisions in respect of the Group's obligation to incur additional costs associated with landscaping and other works after finishing the construction of apartment buildings. The provision is estimated based on historical experience. The Group expects the expenses to be incurred over the next year.

25 Trade and other payables

mln RUB	2015	2014
Long-term		
Trade payables	21	667
Finance lease liabilities	61	126
Advances from customers	20	18
Other payables	821	2 043
	923	**2 854**
Short-term		
Advances from customers	16 770	12 051
Trade payables	3 468	6 073
VAT payable	1 646	1 694
Payroll liabilities	550	584
Other taxes payable	180	214
Billings in excess of work completed	261	99
Income tax payable	125	380
Finance lease liabilities	52	41
Other payables	2 578	324
	25 630	**21 460**
Total	**26 553**	**24 314**

Long-term other payables and short-term other payables mainly consist of obligation equal to RUB 2 293 million (31 December 2014: RUB 2 022 million) to construct the social infrastructure objects recognised as part of inventory.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

Finance lease liabilities are payable as follows:

	31 December 2015			**31 December 2014**		
mln RUB	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	62	10	52	57	16	41
Between one and five years	64	3	61	139	13	126
	126	**13**	**113**	**196**	**29**	**167**

Terms and conditions of outstanding finance lease liabilities were as follows:

mln RUB			31 December 2015		31 December 2014	
Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
RUB	13,49%; 17,86%	2017 - 2018	113	113	167	167
			113	**113**	**167**	**167**

26 Financial instruments and risk management

a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

mln RUB	Carrying amount			Fair value			
31 December 2015	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value							
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	11 126	-	**11 126**	-	9 100	-	**9 100**
Bank deposits (over 3 months)	485	-	**485**	-	505	-	**505**
Bank promissory notes	684	-	**684**	-	489	-	**489**
Cash and cash equivalents	11 532	-	**11 532**	11 532	-	-	**11 532**
	23 827	**-**	**23 827**	**11 532**	**10 094**	**-**	**21 626**
Financial liabilities not measured at fair value							
Secured bank loans	-	(6 541)	**(6 541)**	-	(6 691)	-	**(6 691)**
Unsecured bank loans	-	(8 405)	**(8 405)**	-	(7 958)	-	**(7 958)**
Unsecured bond issues	-	(4 468)	**(4 468)**	(4 384)	-	-	**(4 384)**
Trade and other payables	-	(7 812)	**(7 812)**	-	(7 543)	-	**(7 543)**
	-	**(27 226)**	**(27 226)**	**(4 384)**	**(22 192)**	**-**	**(26 576)**

mln RUB	Carrying amount			Fair value			
31 December 2014	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value							
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	8 761	-	**8 761**	-	9 024	-	**9 024**
Bank deposits (over 3 months)	1 024	-	**1 024**	-	1 053	-	**1 053**
Bank promissory notes	1 150	-	**1 150**	-	1 150	-	**1 150**
Cash and cash equivalents	14 631	-	**14 631**	14 631	-	-	**14 631**
	25 566	**-**	**25 566**	**14 631**	**11 227**	**-**	**25 858**
Financial liabilities not measured at fair value							
Secured bank loans	-	(4 032)	**(4 032)**	-	(3 677)	-	**(3 677)**
Unsecured bank loans	-	(7 247)	**(7 247)**	-	(6 920)	-	**(6 920)**
Unsecured bond issues	-	(5 012)	**(5 012)**	(4 200)	-	-	**(4 200)**
Trade and other payables	-	(9 957)	**(9 957)**	-	(8 834)	-	**(8 834)**
	-	**(26 248)**	**(26 248)**	**(4 200)**	**(19 431)**	**-**	**(23 631)**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding trade and other receivables.

Credit risk with regards of cash and cash equivalents and deposits with banks is managed by placing funds primarily in the banks listed in note 20.

Credit risk connected with trade receivable arising from sale of apartments to individuals is managed by securing those receivables against sold apartments. A significant share of such sales is made on a prepayment basis.

To manage the credit risk of trade receivables from legal entities the Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are applied.

(iv) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has no customer accounting individually for more than 10% of the Group's balance of trade and other receivables as at 31 December 2015 (31 December 2014: none).

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(v) Guarantees

As at 31 December 2015 the Group had not provided any financial guarantees to entities outside the Group (31 December 2014: nil).

(vi) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
mln RUB	**2015**	**2014**
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	11 810	9 911
Bank deposits (over 3 months)	485	1 024
Cash and cash equivalents	11 532	14 631
	23 827	**25 566**

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was concentrated in the St. Petersburg region.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was concentrated on the industrial customers – legal entities included in the segment "Construction services".

Impairment losses

The aging of trade receivables at the reporting date was:

mln RUB	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Not past due	8 667	-	6 467	-
Past due 0-30 days	220	-	621	-
Past due 31-120 days	348	-	364	-
Past due more than 120 days	926	(372)	661	(277)
	10 161	**(372)**	**8 113**	**(277)**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

mln RUB	2015	2014
Balance at 1 January	277	22
Increase during the year	112	258
Decrease due to reversal	(17)	(3)
Balance at 31 December	**372**	**277**

The movement in the allowance for impairment in respect of advances paid to suppliers and other receivables during the year was as follows:

mln RUB	2015	2014
Balance at 1 January	23	52
Increase during the year	234	17
Decrease due to reversal	(41)	(46)
Balance at 31 December	**216**	**23**

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Each year the Group prepares cash flow budget to forecast possible liquidity deficits and to define the sources of financing of those deficits.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Contractual maturities of financial liabilities were as follows:

mln RUB 31 December 2015	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities									
Secured bank loans	6 541	7 892	812	3 299	2 596	436	282	371	96
Unsecured bank loans	8 405	11 193	782	1 129	3 939	2 461	2 253	629	-
Unsecured bond issues	4 468	5 100	1 388	1 293	2 419	-	-	-	-
Finance lease liabilities	113	126	25	37	58	6	-	-	-
Trade and other payables (excluding taxes payable)	7 699	7 698	4 809	2 048	490	237	99	5	10
	27 226	**32 009**	**7 816**	**7 806**	**9 502**	**3 140**	**2 634**	**1 005**	**106**

mln RUB 31 December 2014	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities									
Secured bank loans	4 032	5 247	897	613	1 353	837	626	329	592
Unsecured bank loans	7 247	9 288	1 674	1 402	1 531	3 547	1 134	-	-
Unsecured bond issues	5 012	6 266	320	872	2 655	2 419	-	-	-
Finance lease liabilities	167	196	44	13	75	58	6	-	-
Trade and other payables (excluding taxes payable)	9 790	9 790	5 972	1 106	1 033	1 638	7	15	19
	26 248	**30 787**	**8 907**	**4 006**	**6 647**	**8 499**	**1 773**	**344**	**611**

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group's exposure to foreign currency risk is limited. As at 31 December the Group's net positions in foreign currency were as follows:

mln RUB	USD-denominated	EUR-denominated	USD-denominated	EUR-denominated
	2015		2014	
Cash and cash equivalents and bank deposits (over 3 months)	1 147	92	2 936	1 935
Loans and borrowings	-	-	-	(1 384)
Net exposure	**1 147**	**92**	**2 936**	**551**

The following significant exchange rates applied during the year:

in RUB	Average rate		Reporting date spot rate	
	2015	2014	31 December 2015	31 December 2014
USD 1	60,96	38,36	72,88	56,26
EUR 1	67,78	50,77	79,70	68,34

(ii) Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivative instruments to manage interest rate risk exposure.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

mln RUB	Carrying amount	
	2015	2014
Fixed rate instruments		
Financial assets	16 136	19 196
Financial liabilities	(19 527)	(13 874)
	(3 391)	**5 322**
Variable rate instruments		
Financial liabilities	-	(2 584)
	-	**(2 584)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

e) Fair values versus carrying amounts

Management believes that the fair values of its financial assets and liabilities approximate their carrying amounts as at 31 December 2015. Fair value of financial assets and liabilities as at 31 December 2015 are disclosed in 26 (a).

f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to equity holders through the optimisation of the debt and equity balance. The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with it.

The capital structure of the Group consists of net debt (borrowings as detailed in note 23 offset by cash and bank balances) and equity of the Group (comprising issued capital and retained earnings as detailed in note 21). The Group is not subject to any externally imposed capital requirements.

The Group's debt to capital ratio at the end of the reporting year was as follows:

mln RUB	2015	2014
Total borrowings	19 414	16 291
Less: cash and cash equivalents	(11 532)	(14 631)
Less: bank deposits, notes 15, 19	(485)	(1 024)
Net debt	7 397	636
Total equity	54 843	51 871
Debt to capital ratio at year end	0,135	0,012

Finance lease liabilities RUB 113 million at 31 December 2015 (RUB 167 million at 31 December 2014) are included in trade and other payables (see note 25) and are not included in the total amount of borrowings.

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

mln RUB	2015	2014
Less than one year	72	43
Between one and five years	207	66
More than five years	715	324
	994	**433**

The Group leases a number of land plots for the purpose of construction of residential and commercial premises for sale, as well as land plots occupied by its own production and office facilities under operating leases.

Lease payments for land plots occupied by residential and commercial premises under construction are capitalised into the cost of those premises.

The leases typically run for the year of construction of premises. After these properties are constructed and sold, lease rentals are paid by the owners of those properties. Lease payments are usually increased annually to reflect market rentals.

During the year ended 31 December 2015 the amount of RUB 54 million (year ended 31 December 2014: RUB 46 million) was recognised as an expense in the consolidated statement of profit or loss and other comprehensive income in respect of operating leases, while RUB 52 million (year ended 31 December 2014: RUB 4 million) were capitalised into the cost of residential and commercial premises under construction.

28 Capital commitments

As at 31 December 2015 the Group does not have any capital commitments (31 December 2014: nil).

29 Contingencies

a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

b) Litigation

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.

c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

30 Related party transactions

d) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (see note 10):

mln RUB	**2015**	**2014**
Salaries and bonuses	570	467
	570	**467**

(ii) Other transactions

Sales to key management personnel are disclosed below:

	Transaction value		**Outstanding balance**	
mln RUB	**2015**	**2014**	**2015**	**2014**
Sale of apartments and premises	3	93	30	32
	3	**93**	**30**	**32**

e) Transactions with other related parties

The Group’s other related party transactions are disclosed below.

(i) Revenue

	Transaction value		Outstanding balance	
mln RUB	**2015**	**2014**	**2015**	**2014**
Other related parties	50	31	7	5
	50	**31**	**7**	**5**

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(ii) Expenses

	Transaction value		Outstanding balance	
mln RUB	**2015**	**2014**	**2015**	**2014**
Other related parties	103	72	(128)	(14)
	103	**72**	**(128)**	**(14)**

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(iii) Loans

	Amount loaned		Outstanding balance	
mln RUB	**2015**	**2014**	**2015**	**2014**
Loans received:				
Other related parties	(1)	-	(1)	1
	(1)	**-**	**(1)**	**1**

During the year ended 31 December 2015 loans bore interest rates of 0,5% per annum.

31 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	31 December 2015	31 December 2014
CJSC "GK Etalon"	Russian Federation	100,00%	100,00%
LLC "EtalonAktiv"	Russian Federation	100,00%	100,00%
CJSC "TSUN LenSpetsSMU"	Russian Federation	100,00%	100,00%
CJSC "SSMO LenSpetsSMU"	Russian Federation	100,00%	100,00%
CJSC "Novator"	Russian Federation	100,00%	100,00%
CJSC "LenSpetsSMU-Reconstruktsiya"	Russian Federation	100,00%	100,00%
LLC "Etalon-Invest"	Russian Federation	100,00%	100,00%
CJSC "Zatonskoe"	Russian Federation	100,00%	99,80%
LLC "SPM-Zhilstroy"	Russian Federation	100,00%	100,00%

As at 31 December 2015 the Group controlled 140 legal entities (31 December 2014: 133). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements. The above is a list of the most significant subsidiaries.

Structured entities

The Group has established a number of housing cooperatives in which the buyers of residential and commercial premises acquire shares and become members in order to obtain ownership rights for those premises. When third-party participants form a majority of the cooperative's members the Group's control over it ceases.

32 Events subsequent to the reporting date

a) Financing events

Subsequent to the reporting date the Group has repaid loans and borrowings outstanding as at 31 December 2015 for the total amount of RUB 1 263 million. Subsequent to the reporting date the Group has obtained an additional tranche of a loan for the total amount of RUB 21 million with the interest rate of 15,00 % (repayable at 2017) and an additional tranche of a loan for the total amount of RUB 186 million with the interest rate of 15,00 % (repayable at 2020).