

OJSC LSR Group

**Consolidated Financial Statements
for the year ended 31 December 2014
and Auditors' Report**

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Auditors' Report

To the Board of Directors

OJSC LSR Group

We have audited the accompanying consolidated financial statements of OJSC LSR Group (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2014, and notes, comprising a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: Open Joint Stock Company LSR Group

Registered in the Unified State Register of Legal Entities on 14 August 2006 by Saint Petersburg Inter-Regional Tax Inspectorate No.15 of the Federal Tax Service of the Russian Federation, Registration No. 5067847227300, Certificate series 78 No. 005984878.

36 B, Kazanskaya ulitsa, office 15 N, Saint Petersburg, Russia, 190031

Independent auditor: JSC KPMG, a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Opinion

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

Emphasis of Matter

During the year the Group changed its accounting policy in respect of the timing of revenue recognition. The reason for and the effects of this change are described in Note 2 (e) to the consolidated financial statements. We have audited the adjustments described in Note 2 (e) that were applied to restate the 2013 consolidated financial statements and the statement of financial position as at 1 January 2013. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not qualified in respect of this matter.

Yagnov I.

Director of Saint-Petersburg branch of JSC KPMG - North-West Regional Center (power of attorney № 212/15 dated 17 March 2015)

JSC KPMG

17 March 2015

Saint Petersburg, Russian Federation

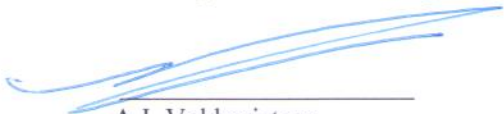
OJSC LSR Group
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2014


		2014	2013	2014	2013
			(as restated)		(as restated)
Note	'000 RUB	'000 RUB	'000 USD	'000 USD	
	Revenue	92,347,177	60,201,126	2,403,517	1,890,263
	Cost of sales	(66,297,539)	(41,368,118)	(1,725,522)	(1,298,920)
	Gross profit	26,049,638	18,833,008	677,995	591,343
	Distribution expenses	(4,857,581)	(4,711,980)	(126,428)	(147,953)
	Administrative expenses	(6,770,678)	(5,520,913)	(176,222)	(173,353)
7					
	Other income	3,175,282	126,923	82,643	3,985
8					
	Other expenses	(104,755)	(236,553)	(2,726)	(7,428)
	Results from operating activities	17,491,906	8,490,485	455,262	266,594
	Finance income	1,019,675	369,293	26,539	11,596
10					
	Finance costs	(7,051,117)	(4,355,140)	(183,519)	(136,748)
10					
	Profit before income tax	11,460,464	4,504,638	298,282	141,442
	Income tax expense	(2,258,394)	(1,211,145)	(58,780)	(38,029)
11					
	Profit for the year	9,202,070	3,293,493	239,502	103,413
	Other comprehensive income				
	/(loss)				
	<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
	Foreign currency translation differences	512,547	87,070	13,340	2,734
	<i>Items that will never be reclassified to profit or loss:</i>				
	Foreign currency translation difference	-	-	(815,980)	(142,228)
	Total comprehensive income / (loss) for the year	9,714,617	3,380,563	(563,138)	(36,081)

OJSC LSR Group
*Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2014*

	2014	2013	2014	2013
		(as restated)		(as restated)
Note	'000 RUB	'000 RUB	'000 USD	'000 USD
Profit attributable to:				
Shareholders of the Company	9,202,703	3,270,684	239,518	102,697
Non-controlling interest	(633)	22,809	(16)	716
Profit for the year	<u>9,202,070</u>	<u>3,293,493</u>	<u>239,502</u>	<u>103,413</u>
Total comprehensive income attributable to:				
Shareholders of the Company	9,715,250	3,357,754	(563,122)	(36,797)
Non-controlling interest	(633)	22,809	(16)	716
Total comprehensive income / (loss) for the year	<u>9,714,617</u>	<u>3,380,563</u>	<u>(563,138)</u>	<u>(36,081)</u>
Basic and diluted earnings per share	22 89.78 RUB	31.74 RUB	2.34 USD	1.00 USD

These consolidated financial statements were approved by management on 17 March 2015 and were signed on its behalf by:


A.I. Vakhmistrov
Chief Executive Officer


D.V. Kutuzov
Chief Financial Officer

	Note	31 December 2014 '000 RUB	31 December 2013 (as restated) '000 RUB	1 January 2013 (as restated) '000 RUB	31 December 2014 '000 USD	31 December 2013 (as restated) '000 USD	1 January 2013 (as restated) '000 USD
ASSETS							
Non-current assets							
Property, plant and equipment	13	28,090,403	42,775,672	39,907,439	499,311	1,306,957	1,313,926
Intangible assets	14	4,376,474	5,275,357	4,948,589	77,792	161,182	162,929
Investment property under development		-	-	152,731	-	-	5,028
Investment property		-	-	675,600	-	-	22,244
Other investments	15	3,726	2,637	146,740	66	80	4,832
Deferred tax assets	16	1,698,006	2,861,189	1,610,617	30,183	87,420	53,028
Trade and other receivables	18	253,464	177,040	132,754	4,505	5,409	4,372
Restricted cash	20	26,374	162,355	476,883	469	4,961	15,701
Total non-current assets		34,448,447	51,254,250	48,051,353	612,326	1,566,009	1,582,060
Current assets							
Other investments	15	2,522,123	409,322	191,536	44,832	12,505	6,305
Inventories	17	105,259,475	75,174,446	59,753,818	1,870,999	2,296,863	1,967,353
Income tax receivable		388,730	243,758	146,679	6,910	7,448	4,829
Trade and other receivables	18	30,739,687	18,580,472	19,563,031	546,401	567,703	644,099
Cash and cash equivalents	19	25,277,805	5,899,479	3,967,086	449,316	180,251	130,613
Restricted cash	20	16,266	630	563	289	19	19
Assets classified as held for sale	32	349,116	-	-	6,206	-	-
Total current assets		164,553,202	100,308,107	83,622,713	2,924,953	3,064,789	2,753,218
Total assets		199,001,649	151,562,357	131,674,066	3,537,279	4,630,798	4,335,278

OJSC LSR Group
Consolidated Statement of Financial Position as at 31 December 2014

		31 December 2014	31 December 2013 (as restated)	1 January 2013 (as restated)	31 December 2014	31 December 2013 (as restated)	1 January 2013 (as restated)
	Note	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD
EQUITY AND LIABILITIES							
Equity	21						
Share capital		34,577	34,577	34,577	1,241	1,241	1,241
Treasury shares		(751,255)	-	-	(19,553)	-	-
Share premium		26,408,386	26,408,386	26,408,386	959,987	959,987	959,987
Additional paid in capital		16,643,644	15,953,626	16,697,997	639,905	621,946	645,319
Foreign currency translation reserve		593,709	81,162	(5,908)	(1,125,883)	(323,243)	(183,749)
Retained earnings		22,914,203	17,795,584	16,585,504	711,024	577,802	539,806
Total equity attributable to shareholders of the Company		65,843,264	60,273,335	59,720,556	1,166,721	1,837,733	1,962,604
Non-controlling interest		(15,355)	(14,724)	132,763	3,378	3,394	8,025
Total equity		65,827,909	60,258,611	59,853,319	1,170,099	1,841,127	1,970,629
Non-current liabilities							
Loans and borrowings	23	18,712,966	26,112,699	33,948,989	332,625	797,840	1,117,747
Deferred tax liabilities	16	1,919,782	1,314,983	2,113,784	34,125	40,177	69,595
Trade and other payables	25	16,658,421	20,215	185,218	296,105	618	6,098
Provisions	24	27,797	19,290	16,361	494	590	538
Total non-current liabilities		37,318,966	27,467,187	36,264,352	663,349	839,225	1,193,978
Current liabilities							
Loans and borrowings	23	8,654,065	7,949,435	5,525,669	153,827	242,884	181,929
Income tax payable		504,402	653,475	901,016	8,966	19,966	29,665
Trade and other payables	25	84,764,150	54,994,125	28,786,443	1,506,695	1,680,277	947,775
Provisions	24	1,696,093	239,524	343,267	30,147	7,319	11,302
Liabilities classified as held for sale	32	236,064	-	-	4,196	-	-
Total current liabilities		95,854,774	63,836,559	35,556,395	1,703,831	1,950,446	1,170,671
Total liabilities		133,173,740	91,303,746	71,820,747	2,367,180	2,789,671	2,364,649
Total equity and liabilities		199,001,649	151,562,357	131,674,066	3,537,279	4,630,798	4,335,278

OJSC LSR Group
Consolidated Statement of Cash Flows for the year ended 31 December 2014

	2014	2013	2014	2013
		(as restated)		(as restated)
	'000 RUB	'000 RUB	'000 USD	'000 USD
OPERATING ACTIVITIES				
Profit for the year	9,202,070	3,293,493	239,502	103,413
Adjustments for:				
Depreciation and amortisation	3,678,056	3,238,486	95,729	101,685
Loss / (gain) on disposal of property, plant and equipment	6,568	(123,539)	171	(3,879)
Gain on disposal of subsidiaries (Note 6)	(2,766,189)	(454)	(71,996)	(15)
Loss on other assets	-	125,978	-	3,958
Capitalized interest recognized in cost of sales	267,521	14,114	6,963	443
Net finance costs	6,031,442	3,985,847	156,980	125,152
Income tax expense	2,258,394	1,211,145	58,779	38,029
Operating profit before changes in working capital and provisions	18,677,862	11,745,070	486,128	368,786
Increase in inventories	(30,845,913)	(14,446,906)	(802,824)	(453,621)
Increase in trade and other receivables	(7,923,340)	(2,410,707)	(206,221)	(75,693)
Increase in trade and other payables	47,636,250	26,948,900	1,239,827	846,172
Increase / (decrease) in provisions	1,465,076	(100,814)	38,131	(3,165)
Cash flows from operations before income taxes and interest paid	29,009,935	21,735,543	755,041	682,479
Income taxes paid	(2,580,348)	(3,155,523)	(67,159)	(99,081)
Interest paid	(4,179,597)	(4,367,144)	(108,782)	(137,125)
Cash flows from operating activities	22,249,990	14,212,876	579,100	446,273

	2014	2013	2014	2013
	'000 RUB	(as restated) '000 RUB	'000 USD	(as restated) '000 USD
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	308,160	684,853	8,020	21,504
Interest received	895,211	216,045	23,300	6,784
Acquisition of property, plant and equipment	(1,350,900)	(3,558,683)	(35,160)	(111,740)
Decrease / (increase) in restricted cash	120,345	(18,232)	3,132	(572)
Acquisition of intangible assets	(9,486)	(9,056)	(247)	(284)
Loans given	(1,742,354)	(155,600)	(45,348)	(4,886)
Loans repaid	7,148	41,928	186	1,317
Disposal of subsidiaries (note 6)	(81,409)	151,110	(2,119)	4,745
Acquisition of subsidiaries, net of cash acquired (note 6)	-	(924,771)	-	(29,037)
Disposal / (acquisition) of other investments	209	(15,729)	5	(494)
Cash flows utilised by investing activities	(1,853,076)	(3,588,135)	(48,231)	(112,663)
FINANCING ACTIVITIES				
Proceeds from borrowings	48,805,044	22,892,388	1,270,247	718,801
Proceeds from bonds	-	3,000,000	-	94,197
Repayment of borrowings	(39,307,580)	(23,952,931)	(1,023,057)	(752,102)
Repayment of bonds	(6,326,052)	(7,893,713)	(164,648)	(247,856)
Payment of finance lease liabilities	(75,656)	(126,879)	(1,969)	(3,984)
Payment of outstanding balance for own shares	(176,174)	(649,250)	(4,585)	(20,386)
Dividends paid	(4,084,084)	(2,060,604)	(106,296)	(64,701)
Cash flows utilised by financing activities	(1,164,502)	(8,790,989)	(30,308)	(276,031)
Net increase in cash and cash equivalents	19,232,412	1,833,752	500,561	57,579
Cash and cash equivalents at the beginning of the year	5,899,479	3,967,086	180,251	130,613
Effect of exchange rate fluctuations on cash and cash equivalents	145,914	98,641	(231,496)	(7,941)
Cash and cash equivalents at the end of the year (note 19)	25,277,805	5,899,479	449,316	180,251

'000 RUB

	Attributable to shareholders of the Company							Non-controlling interest	Total equity
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total			
Balance at 1 January 2013 (as restated)	34,577	26,408,386	16,697,997	(5,908)	16,585,504	59,720,556	132,763	59,853,319	
Total comprehensive income for the year									
Profit for the year	-	-	-	-	3,270,684	3,270,684	22,809	3,293,493	
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	87,070	-	87,070	-	87,070	
Total comprehensive income for the year	-	-	-	87,070	3,270,684	3,357,754	22,809	3,380,563	
Transactions with owners recorded directly in equity									
Disposal of subsidiaries	-	-	6,884	-	-	6,884	(170,296)	(163,412)	
Dividends to shareholders	-	-	-	-	(2,060,604)	(2,060,604)	-	(2,060,604)	
Contractual obligation to purchase own shares	-	-	(751,255)	-	-	(751,255)	-	(751,255)	
Balance at 31 December 2013 (as restated)	<u>34,577</u>	<u>26,408,386</u>	<u>15,953,626</u>	<u>81,162</u>	<u>17,795,584</u>	<u>60,273,335</u>	<u>(14,724)</u>	<u>60,258,611</u>	

'000 RUB

Attributable to shareholders of the Company

	Share capital	Treasury share reserve	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Non- controlling interest	Total equity
Balance at 1 January 2014 (as restated)	34,577	-	26,408,386	15,953,626	81,162	17,795,584	60,273,335	(14,724)	60,258,611
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	9,202,703	9,202,703	(633)	9,202,070
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	512,547	-	512,547	-	512,547
Total comprehensive income for the year					512,547	9,202,703	9,715,250	(633)	9,714,617
Transactions with owners recorded directly in equity									
Excess of consideration paid over non-controlling interest acquired	-	-	-	(6)	-	-	(6)	2	(4)
Write off of the excess of book values of net assets acquired for entities under common control over consideration paid	-	-	-	(61,231)	-	-	(61,231)	-	(61,231)
Own shares purchased	-	(751,255)	-	751,255	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	(4,084,084)	(4,084,084)	-	(4,084,084)
Balance at 31 December 2014	<u>34,577</u>	<u>(751,255)</u>	<u>26,408,386</u>	<u>16,643,644</u>	<u>593,709</u>	<u>22,914,203</u>	<u>65,843,264</u>	<u>(15,355)</u>	<u>65,827,909</u>

'000 USD

	Attributable to shareholders of the Company							Non- controlling interest	Total equity
	Share capital	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Total		
Balance at 1 January 2013 (as restated)	1,241	959,987	645,319	(183,749)	539,806	1,962,604	8,025	1,970,629	
Total comprehensive income for the year									
Profit for the year	-	-	-	-	102,697	102,697	716	103,413	
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	(139,494)	-	(139,494)	-	(139,494)	
Total comprehensive income for the year	-	-	-	(139,494)	102,697	(36,797)	716	(36,081)	
Transactions with owners recorded directly in equity									
Disposal of subsidiaries	-	-	216	-	-	216	(5,347)	(5,131)	
Dividends to shareholders	-	-	-	-	(64,701)	(64,701)	-	(64,701)	
Contractual obligation to purchase own shares	-	-	(23,589)	-	-	(23,589)	-	(23,589)	
Balance at 31 December 2013 (as restated)	1,241	959,987	621,946	(323,243)	577,802	1,837,733	3,394	1,841,127	

'000 USD

	Attributable to shareholders of the Company								
	Share capital	Treasury share reserve	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2014 (as restated)	1,241	-	959,987	621,946	(323,243)	577,802	1,837,733	3,394	1,841,127
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	239,518	239,518	(16)	239,502
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	(802,640)	-	(802,640)	-	(802,640)
Total comprehensive (loss) / income for the year					(802,640)	239,518	(563,122)	(16)	(563,138)
Transactions with owners recorded directly in equity									
Excess of consideration paid over non-controlling interest acquired	-	-	-	-	-	-	-	-	-
Write off of the excess of book values of net assets acquired from entities under common control over consideration paid	-	-	-	(1,594)	-	-	(1,594)	-	(1,594)
Own shares purchased	-	(19,553)	-	19,553	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	(106,296)	(106,296)	-	(106,296)
Balance at 31 December 2014	<u>1,241</u>	<u>(19,553)</u>	<u>959,987</u>	<u>639,905</u>	<u>(1,125,883)</u>	<u>711,024</u>	<u>1,166,721</u>	<u>3,378</u>	<u>1,170,099</u>

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1 Background

(a) Organisation and operations

OJSC LSR Group (the “Company”) and its subsidiaries (together referred to as the “Group”) comprise Russian limited liability and open and closed joint stock companies as defined in the Civil Code of the Russian Federation, and companies located in other countries. The Company’s shares are traded on the London Stock Exchange and Moscow Exchange.

The Company’s registered office is at 36 B, Kazanskaya Ulitsa, office 15 N, Saint Petersburg, 190031, Russia.

The Group’s principal activities include real estate development in Saint Petersburg, Munich and Moscow, prefabricated panel construction in Saint Petersburg and Yekaterinburg, commercial real estate development in Saint Petersburg and Moscow and Yekaterinburg, the production of building materials at plants located in Russia (Saint Petersburg, Leningrad region and Urals Region) and Ukraine, the extraction and processing of aggregates in different areas of Leningrad region, and the provision of construction services. These products and services are sold mainly in Russia.

The Group’s significant subsidiaries are detailed in note 31.

The Group is ultimately controlled by a single individual, Andrey Molchanov. Related party transactions are detailed in note 30.

(b) Russian 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”) as issued by the International Accounting Standards Board.

The Group additionally prepares IFRS consolidated financial statements in Russian language in accordance with the Federal Law No. 208 – FZ “On consolidated financial reporting”.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the following material items in the statement of financial position:

- investment properties and investment properties under development are measured at fair value;
- financial investments classified as available-for-sale are stated at fair value.

The carrying amounts of assets, liabilities and equity items in existence at 31 December 2002 may include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, *GosKomStat*. Russia ceased to be hyperinflationary for IFRS purposes as at 1 January 2003.

(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. These consolidated financial statements are also presented in United States Dollars (“USD”) since the management believes that this currency is useful for the users of the consolidated financial statements. All financial information presented has been rounded to the nearest thousand, except if otherwise indicated. The RUB is not a readily convertible currency outside the Russian Federation and, accordingly, any conversion of RUB to USD should not be construed as a representation that the RUB amounts have been, could be, or will be in the future, convertible into USD at the exchange rate disclosed, or at any other exchange rate.

(d) Use of estimates and judgments

The preparation of the 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 could 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies are described in the following notes:

- Note 12 – revenue recognition;

- Note 3 – useful lives of property, plant and equipment;
- Note 14 – impairment;
- Note 18 – allowances for trade receivables;
- Note 24 – provisions (for site and environment restoration; warranty and litigation; for unprofitable contracts);
- Note 29 – contingencies.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs) (see note 4).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(e) Change in accounting policies

In order to make revenue recognition more predictable onwards and in line with the industry practices in 2014, the Group changed its accounting policy in respect of the timing of revenue recognition.

This change concerns the property contracted under share participation agreements.

According to the new policy, revenue for the full value of the real estate already contracted is recognized on the date when the competent state Authorities issues an Act of Acceptance for the building.

Sales may be contracted under share participation agreements. In such instances, 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 competent Authorities.

According to the former accounting policy, revenue from the sale of flats was recognised when the buyer signs the act of acceptance of the property, following certification by the competent Authorities (see note 3 (p)).

The comparative periods information have been restated. The following table summarises the adjustments made to the statement of financial position on implementation of the new accounting policy:

'000 RUB	Deferred tax assets	Inventories	Trade and other receivables	Deferred tax liabilities	Trade and other payables	Retained earnings
Balances at 1 January 2013 as previously reported	1,731,791	66,497,314	18,802,155	1,447,003	38,708,838	13,433,684
Impact of the change in accounting policy	(121,174)	(6,743,496)	760,876	666,781	(9,922,395)	3,151,820
Restated balances at 1 January 2013	<u>1,610,617</u>	<u>59,753,818</u>	<u>19,563,031</u>	<u>2,113,784</u>	<u>28,786,443</u>	<u>16,585,504</u>

'000 RUB	Deferred tax assets	Inventories	Trade and other receivables	Deferred tax liabilities	Trade and other payables	Retained earnings
Balances at 31 December 2013 as previously reported	3,013,668	79,227,987	18,226,687	1,164,527	60,208,546	16,583,854
Impact of the change in accounting policy at 1 January 2013	(121,174)	(6,743,496)	760,876	666,781	(9,922,395)	3,151,820
Impact of the change in accounting policy during 2013	(31,305)	2,689,955	(407,091)	(516,325)	4,707,974	(1,940,090)
Restated Balance at 31 December 2013	<u>2,861,189</u>	<u>75,174,446</u>	<u>18,580,472</u>	<u>1,314,983</u>	<u>54,994,125</u>	<u>17,795,584</u>

'000 USD	Deferred tax assets	Inventories	Trade and other receivables	Deferred tax liabilities	Trade and other payables	Retained earnings
Balances at 1 January 2013 as previously reported	57,018	2,189,376	619,048	47,642	1,274,462	438,438
Impact of the change in accounting policy	(3,990)	(222,023)	25,051	21,953	(326,687)	101,368
Restated balances at 1 January 2013	<u>53,028</u>	<u>1,967,353</u>	<u>644,099</u>	<u>69,595</u>	<u>947,775</u>	<u>539,806</u>

'000 USD	Deferred tax assets	Inventories	Trade and other receivables	Deferred tax liabilities	Trade and other payables	Retained earnings
Balances at 31 December 2013 as previously reported	92,079	2,420,715	556,894	35,581	1,839,598	537,351
Impact of the change in accounting policy at 1 January 2013	(3,990)	(222,023)	25,051	21,953	(326,687)	101,368
Foreign currency translation difference	286	15,984	(1,805)	(1,581)	23,520	(5,068)
Impact of the change in accounting policy during 2013	(955)	82,187	(12,437)	(15,776)	143,846	(55,849)
Restated balance at 31 December 2013	<u>87,420</u>	<u>2,296,863</u>	<u>567,703</u>	<u>40,177</u>	<u>1,680,277</u>	<u>577,802</u>

The effects on the statement of profit or loss and other comprehensive income were as follows:

	2014	2013	2014	2013
	<u>'000 RUB</u>	<u>'000 RUB</u>	<u>'000 USD</u>	<u>'000 USD</u>
Increase / (decrease) in revenue	24,918,647	(5,115,064)	648,557	(160,609)
Increase / (decrease) in cost of sales	16,814,496	(2,767,919)	437,630	(86,910)
Increase / (decrease) in income tax expense	1,620,830	(469,429)	42,185	(14,740)

The effect on earnings / (loss) per share amounted to:

	2014	2013	2014	2013
	<u>'000 RUB</u>	<u>'000 RUB</u>	<u>'000 USD</u>	<u>'000 USD</u>
Increase / (decrease) in earnings per share	63.25	(18.83)	1.64	(0.59)

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, except as explained in note 2, which addresses changes in accounting policies.

Certain comparative amounts have been restated as a result of a change in the accounting policy regarding the timing of revenue recognition (see note 2 (e)).

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to 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. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) *Acquisitions from entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their carrying amounts in the financial statements of the entities transferred. If these companies previously have not prepared IFRS financial statements, assets and liabilities are determined in accordance with IFRS1. Any difference between the book value of net assets acquired and consideration paid is recognised as a contribution from, or distribution to, shareholders.

(iv) *Disposals to entities under common control*

Disposals of controlling interests in entities to the same controlling shareholder that controls the Company are accounted for at the date of transfer of shares from the Group. The assets and liabilities sold are derecognised at their book values as recognised in the financial statements of the Group. Any difference between the book value of net assets sold and consideration received is recognised as a contribution from, or a distribution to, shareholders.

(v) *Acquisitions and disposals of non-controlling interests*

Any difference between the consideration paid to acquire a non-controlling interest, and the carrying amount of that non-controlling interest, is recognised as a contribution from or a distribution to shareholders.

Any difference between the consideration received upon disposal of a minority portion of the Group's interest in a subsidiary, and the carrying amount of that portion of the Group's interest in the subsidiary, including attributable goodwill, is recognised as a distribution to, or a contribution from, shareholders.

(vi) *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) *Foreign currencies*

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated 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 foreign currency translated at the exchange rate 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 that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the statement of profit or loss and other comprehensive income. 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.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUB at the weighted average exchange rate for the period which approximates the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Since 1 January 2005, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the statement of profit or loss and other comprehensive income as part of profit or loss on disposal.

Foreign exchange gains and losses arising from a monetary item received from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(iii) Translation to presentation currency

The assets and liabilities of Group enterprises are translated to USD at exchange rates at the reporting date. Income and expenses are translated to USD at rates approximating exchange rates at the dates of the transactions. Translation differences are recognised directly in other comprehensive income as the foreign currency translation reserve.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss and other comprehensive income) 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 asset when the contractual rights to the cash flows from the asset expire, or it transfers to right to receive the contractual cash flows on the financial asset in a transaction in which substantially all 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 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.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss and other comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

The Group has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and loans issued.

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 statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised in other comprehensive income and presented within equity in the additional paid-in capital. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of profit or loss and other comprehensive income.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) *Non-derivative financial liabilities*

The Group initially recognises debt securities issued 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 expired.

Financial assets and liabilities are offset and the net amount presented in the 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 currently has a legally enforceable right to set off if that right is not contingent on a future event and

enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

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.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit of the transaction is transferred to/from retained earnings.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditures that are 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 its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 the statement of profit or loss and other comprehensive income.

(ii) Reclassification of owner occupied property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain or loss on remeasurement is recognised in equity.

(iii) 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 the statement of profit or loss and other comprehensive income as incurred.

(iv) 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 the statement of profit or loss and other comprehensive income 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 20 to 50 years;
- Machinery and equipment 5 to 29 years;
- Transportation equipment 8 to 20 years;
- Other fixed assets 5 to 20 years.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(f) Intangible assets

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition (see note 3(a)(i)).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of profit or loss and other comprehensive income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour

and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the statement of profit or loss and other comprehensive income as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of profit or loss and other comprehensive income as incurred.

(v) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position. Acquired rights to lease of land for development are recognised at cost in inventory or investment property under development.

(h) Investment property under development

Investment property under development consists of plots of land, wholly or partly owned by the Group or leased to the Group, on which commercial properties are being, or will be, built. These properties will be leased to third parties on completion.

Investment property under development consists of two components: land and buildings. Land and buildings are measured at fair value with any change therein recognised in the statement of profit or loss and other comprehensive income.

In the absence of current prices in an active market, the fair values of investment property under development are established by considering the aggregate of the estimated cash flows expected to be received from renting out the property less the estimated costs, including developer's profit margin, to complete the individual projects to the stage where they could be marketed. Discount rate that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. In the case when investment property forms part of a larger property unit, it is distinguished on the basis of the area which it occupies in the total area of the property unit. Investment property is measured at fair value with any change therein recognised in the statement of profit or loss and other comprehensive income.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle 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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Construction work in progress

Construction work in progress represents 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 (see note 3(p) (iii)) 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.

Construction work in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as trade and other payables in the statement of financial position.

(l) Impairment

(i) *Financial assets*

A financial asset not carried at fair value through profit or loss and other comprehensive income is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be 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 asset (including equity securities) 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 disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 original effective interest rate. Losses are recognised in the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the additional paid-in capital in equity, to the statement of profit or loss and other comprehensive income. The cumulative loss that is removed from other comprehensive income and recognised in the statement of profit or loss and other comprehensive income is the difference between the acquisition cost, net of any principal repayments and amortisation, and the current fair value, less any impairment loss previously recognised in the statement of profit or loss and other comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the statement of profit or loss and other comprehensive income, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of profit or loss and other comprehensive income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, investment properties under development, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(m) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax

assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in statement of profit or loss and other comprehensive income. Gains are not recognised in excess of any cumulative impairment loss. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

(n) Employee benefits

Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an expense in the statement of profit or loss and other comprehensive income when they are due.

A liability is recognised for the amount expected to be paid under short-term cash bonus or 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.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data.

(ii) Site and environment restoration

In accordance with the Group's environmental policy and applicable statutory requirements, provision is made for the Group's obligation to incur additional costs including costs associated with clean up the surrounding area after sand extraction and finishing the construction of apartment building. The related expense is recognised in the statement of profit or loss and other comprehensive income.

(iii) Litigation provision

A provision is recognized, if the probability is high that the Group will lose lawsuit in which the Group is a defendant, and there will be a need (requirement) to settle the obligation.

(iv) Provision for unprofitable contracts

A provision is recognized in the amount of the expected loss when the expected revenue is less than the planned costs of completion.

(p) Revenues

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities 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, usually in the form of an executed

sales agreement, 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. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Since January 2014 the full value of the real estate already contracted is recognized as revenue on the date when the State Commission for Acceptance of Finished Buildings issues an Act of Acceptance for the building.

Sales may be contracted under share participation agreements. In such instances, 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.

Under previous policy revenue from the sale of flats was recognised when the buyer signs the act of acceptance of the property, following certification by the competent Authorities. Comparatives have been restated to be in line with new policy (see note 2 (e)).

(ii) Services

Revenue from services, rendered by the Group's companies is recognised in the statement of profit and loss and other 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.

(iii) Construction contracts and designing

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the statement of profit and loss and other comprehensive income in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed as the proportion that contract costs incurred for work performed to date bear to estimated total contract costs. An expected loss on a contract is recognised immediately in the statement of profit and loss and other comprehensive income.

(iv) Rental income

Rental income from investment property is recognised in the statement of profit and loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(q) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in the statement of profit and loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the statement of profit and loss and other comprehensive income as incurred.

(r) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognised as it accrues in the statement of profit or loss and other comprehensive income, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the statement of profit or loss and other comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(s) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss and other comprehensive income 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 on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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 the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that

affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. 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 liabilities and assets, 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.

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 temporary difference 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.

(t) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis.

(v) 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 2014, and have not been applied in preparing this 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* will be effective for annual periods beginning on or after 1 January 2018 and will replace 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 and is likely to have a significant impact on Group's consolidated financial statements. 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 2017. The new standard is replace 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 recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements.

- 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, will come into effect for annual periods beginning after 1 January 2015. 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 / or 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) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation (via application of discounted cash flow method), and obsolescence.

(b) Investment property and investment property under development

The fair value of investment property and the investment property under development is based on valuations, performed by external independent valuation companies, who hold recognized and relevant professional qualifications and who have recent experience in the location and category of the investment property being valued. The valuations are based primarily on comparable rents, discount rates, yields and sales prices from recent market transactions on an arm's lengths basis, using the Discounted Cash Flow technique for investment property under development and market approach for investment property, undertaken according to the requirements of the United Kingdom's Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

(c) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(d) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(e) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss and other comprehensive income, held to maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be estimated on a reasonable basis by other means, investments are stated at cost less impairment losses.

(f) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, 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.

(g) 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 five 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 format of reporting segments is based on Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

In 2014 the Group carried out internal reorganization and management accordingly changed composition of reportable operating segments. Comparative data has been changed accordingly.

(a) Operating segments

The following summary describes the operations in each of the Group's segments:

LSR.Building Materials. The building materials business units are engaged in the production of brick, concrete and reinforced concrete items, ready-mix concrete, aerated concrete blocks, crushed stone production, land-based and marine-dredged sand extraction. These business units are located in Saint Petersburg, Leningrad region and Moscow.

LSR.Construction. The construction business units specialize in panel construction, providing of construction contracting services, transportation of construction materials. These business units are located in Saint Petersburg, Moscow, and Ural region.

LSR. Project management. Business units specialize in providing of construction contracting services. This business unit is located in Saint Petersburg.

LSR. Cranes. Business unit specialize in providing of tower cranes services. This business unit is located in Saint Petersburg.

LSR.Real Estate. The Real Estate business units specialize in the development of elite, mass-market and business class residential real estate, gated communities and commercial real estate. These business units are located in Saint Petersburg, Moscow, Ural region and Germany.

There are varying levels of integration between the *LSR.Building Materials*, *LSR.Construction* and *LSR.Real Estate* reportable segments. This integration includes transfers of raw materials and services, respectively. Inter-segment pricing is determined on an arm's length basis. The accounting policies of the reportable segments are the same as described in notes 2 and 3.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The operations of the Group are conducted and managed primarily in North-West region, Moscow, Ural and in Germany, where the production facilities and sales offices of the Group are located. The Group has also operations in Ukraine, the volume of which is not significant to total operations of the Group. Accordingly, no geographical segmental information is presented.

The Group has aerated concrete production facilities in Ukraine. Net assets of Ukrainian subsidiary amounts to 1.32% of total net asset of the Group (31 December 2013: 3.63%) and EBITDA equals to 2.39% of EBITDA of the Group (31 December 2013: 3.38%). Ukraine is currently suffering from political and economic crisis, combined with social unrest and regional tensions. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's Ukrainian subsidiary's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the subsidiary's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the subsidiary. The future business environment may differ from management's assessment.

(b) Major customers

Revenues from the largest customer of the Group represents approximately RUB 1,850,933 thousand / USD 48,174 thousand (31 December 2013: RUB 2,570,171 thousand / USD 80,701 thousand) of the Group's total revenues.

Revenue from the next four significant customers of the Group amounts approximately to RUB 1,873,034 thousand / USD 48,749 thousand (31 December 2013: RUB 2,621,178 thousand / USD 82,302 thousand).

(i) **Operating segments**

For the year ended								
31 December 2014								
'000 RUB	LSR. Building Materials	LSR. Construction	LSR. Project management	LSR. Pile Foundation and Construction	LSR. Cranes	LSR. Real Estate	Other entities	Total
Revenue from external customers	19,945,520	4,372,988	2,188,040	-	1,377,497	60,436,771	1,459,124	89,779,940
Inter-segment revenue	1,152,199	21,187,352	53,414	-	173,899	110,126	-	22,676,990
Total segment revenue	21,097,719	25,560,340	2,241,454	-	1,551,396	60,546,897	1,459,124	112,456,930
Segment result	2,705,258	1,431,827	181,458	-	302,843	12,300,182	-	16,921,568
Depreciation / amortisation	2,525,441	656,487	804	-	231,609	64,725	198,990	3,678,056
Capital expenditure	622,736	593,581	237	-	135,616	87,549	577,145	2,016,864
For the year ended								
31 December 2013								
'000 RUB	LSR. Building Materials	LSR. Construction	LSR. Project management	LSR. Pile Foundation and Construction	LSR. Cranes	LSR. Real Estate	Other entities	Total
Revenue from external customers	19,716,417	5,858,557	1,372,173	189,019	1,390,197	27,918,488	1,218,263	57,663,114
Inter-segment revenue	1,019,890	14,875,807	635,593	231,884	98,956	691,097	-	17,553,227
Total segment revenue	20,736,307	20,734,364	2,007,766	420,903	1,489,153	28,609,585	1,218,263	75,216,341
Segment result	2,926,063	1,607,603	372,737	48,299	298,393	6,390,659	-	11,643,754
Depreciation / amortisation	2,145,011	595,356	788	13,361	237,024	56,403	190,543	3,238,486
Capital expenditure	2,716,450	633,316	1,399	580	129,373	546,343	235,729	4,263,190

For the year ended
31 December 2014
'000 USD

	LSR. Building Materials	LSR. Construction	LSR. Project management	LSR. Pile Foundation and Construction	LSR. Cranes	LSR. Real Estate	Other entities	Total
Revenue from external customers	519,121	113,816	56,948	-	35,852	1,572,985	37,978	2,336,700
Inter-segment revenue	29,988	551,442	1,390	-	4,526	2,866	-	590,212
Total segment revenue	549,109	665,258	58,338	-	40,378	1,575,851	37,978	2,926,912
Segment result	70,410	37,266	4,723	-	7,882	320,136	-	440,417
Depreciation / amortisation	65,730	17,086	21	-	6,028	1,685	5,179	95,729
Capital expenditure	16,208	15,449	6	-	3,530	2,279	15,021	52,493

For the year ended
31 December 2013
'000 USD

	LSR. Building Materials	LSR. Construction	LSR. Project management	LSR. Pile Foundation and Construction	LSR. Cranes	LSR. Real Estate	Other entities	Total
Revenue from external customers	619,079	183,954	43,085	5,935	43,651	876,616	38,252	1,810,572
Inter-segment revenue	32,024	467,088	19,957	7,281	3,107	21,700	-	551,157
Total segment revenue	651,103	651,042	63,042	13,216	46,758	898,316	38,252	2,361,729
Segment result	91,876	50,477	11,704	1,517	9,369	200,661	-	365,604
Depreciation / amortisation	67,352	18,694	25	420	7,442	1,771	5,981	101,685
Capital expenditure	85,294	19,886	44	18	4,062	17,155	7,402	133,861

As at 31 December 2014	LSR. Building	LSR.	LSR. Project	LSR. Pile	LSR. Cranes	LSR. Real Estate	Other entities	Total
'000 RUB	Materials	Construction	management	Foundation and				
				Construction				
Segment assets, excluding net financial position*	27,634,351	15,563,682	4,665,752	-	1,594,429	151,177,819	-	200,636,033
Segment liabilities, excluding net financial position*	9,926,053	18,058,584	1,746,934	-	360,732	100,592,735	-	130,685,038
Net financial position*	10,872,026	(8,931,424)	625,200	-	113,573	11,911,587	12,776,069	27,367,031
As at 31 December 2013	LSR. Building	LSR.	LSR. Project	LSR. Pile	LSR. Cranes	LSR. Real Estate	Other entities	Total
'000 RUB	Materials	Construction	management	Foundation and				
				Construction				
Segment assets, excluding net financial position*	46,593,067	12,703,480	6,193,915	-	1,584,951	91,694,056	-	158,769,469
Segment liabilities, excluding net financial position*	7,941,068	16,484,334	4,538,196	-	191,313	46,053,259	-	75,208,170
Net financial position*	25,565,786	(11,305,338)	(63,000)	-	261,745	9,714,949	10,077,275	34,251,417

* Net financial position is debt of the Group allocated to Operating Segments. Net financial positions is calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.

As at 31 December 2014	LSR. Building Materials	LSR. Construction	LSR. Project management	LSR. Pile Foundation and Construction	LSR. Cranes	LSR. Real Estate	Other entities	Total
'000 USD								
Segment assets, excluding net financial position*	491,204	276,646	82,934	-	28,341	2,687,204	-	3,566,329
Segment liabilities, excluding net financial position*	176,437	320,994	31,052	-	6,412	1,788,048	-	2,322,943
Net financial position*	193,253	(158,757)	11,113	-	2,019	211,729	227,095	486,452
As at 31 December 2013	LSR. Building Materials	LSR. Construction	LSR. Project management	LSR. Pile Foundation and Construction	LSR. Cranes	LSR. Real Estate	Other entities	Total
'000 USD								
Segment assets, excluding net financial position*	1,423,593	388,139	189,247	-	48,426	2,801,598	-	4,851,003
Segment liabilities, excluding net financial position*	242,629	503,658	138,659	-	5,845	1,407,100	-	2,297,891
Net financial position*	781,130	(345,420)	(1,925)	-	7,997	296,828	307,898	1,046,508

* Net financial position is debt of the Group allocated to Operating Segments. Net financial positions is calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.

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

Revenue	'000 RUB		'000 USD	
	2014	2013	2014	2013
Total revenue for reportable segments	112,456,930	75,216,341	2,926,912	2,361,729
Other revenue	367,734	271,010	9,571	8,509
Transportation revenue	2,199,503	2,267,002	57,246	71,182
Elimination of intersegment revenue	(22,676,990)	(17,553,227)	(590,212)	(551,157)
Consolidated revenue	<u>92,347,177</u>	<u>60,201,126</u>	<u>2,403,517</u>	<u>1,890,263</u>

Profit for the year	'000 RUB		'000 USD	
	2014	2013	2014	2013
Total segment result	16,921,568	11,643,754	440,417	365,604
Other result	3,240,287	(1,038,598)	84,335	(32,611)
Unallocated expenses and income, net	(2,669,949)	(2,114,671)	(69,490)	(66,399)
Finance income	1,019,675	369,293	26,539	11,596
Finance costs	(7,051,117)	(4,355,140)	(183,519)	(136,748)
Income tax expense	(2,258,394)	(1,211,145)	(58,780)	(38,029)
Profit for the year	<u>9,202,070</u>	<u>3,293,493</u>	<u>239,502</u>	<u>103,413</u>

Assets	'000 RUB		'000 USD	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Segment assets, excluding net financial position	200,636,033	158,769,469	3,566,329	4,851,003
Elimination of intersegment assets	(19,380,014)	(19,929,542)	(344,481)	(608,923)
Unallocated assets	17,745,630	12,722,430	315,431	388,718
Total assets	<u>199,001,649</u>	<u>151,562,357</u>	<u>3,537,279</u>	<u>4,630,798</u>

Liabilities	'000 RUB		'000 USD	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Segment liabilities, excluding net financial position	130,685,038	75,208,170	2,322,943	2,297,891
Elimination of intersegment liabilities	(27,471,060)	(19,903,209)	(488,301)	(608,118)
Unallocated liabilities	2,592,731	1,936,651	46,086	59,174
Consolidated loans and borrowings	<u>27,367,031</u>	<u>34,062,134</u>	<u>486,452</u>	<u>1,040,724</u>
Total liabilities	<u>133,173,740</u>	<u>91,303,746</u>	<u>2,367,180</u>	<u>2,789,671</u>

Net financial position	'000 RUB		'000 USD	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Net financial position before adjustments	27,367,031	34,251,417	486,452	1,046,508
Adjustments	-	(189,283)	-	(5,784)
Consolidated loans and borrowings	<u>27,367,031</u>	<u>34,062,134</u>	<u>486,452</u>	<u>1,040,724</u>

Other material items	'000 RUB		'000 USD	
	2014	2013	2014	2013
Capital expenditure	2,016,864	4,263,190	52,493	133,861
Elimination of intersegment purchases	(339,427)	(510,285)	(8,834)	(16,023)
Consolidated capital expenditure	<u>1,677,437</u>	<u>3,752,905</u>	<u>43,659</u>	<u>117,838</u>

6 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

In December 2013 the Group has acquired from the third party 100.00% of shares of LLC "Gazstroy", entity that produces brick in Saint Petersburg. The entity was included in segment LSR.Building materials. The primary reason of business combination was to strengthen the market position and extend product mix variety on the brick market of Saint Petersburg.

The acquisition had the following effect on the Group's assets and liabilities as at the date of acquisition:

	Recognised fair values on acquisition	
	'000 RUB	'000 USD
Non-current assets		
Property, plant and equipment	3,256,833	102,262
Intangible assets	5,489	172
Deferred tax assets	413,995	12,999
Current assets		
Inventory	376,910	11,834
Trade and other receivables	108,706	3,413
Cash and cash equivalents	25,229	792
Non-current liabilities		
Deferred tax liabilities	(888)	(28)
Current liabilities		
Loans and borrowings	(10,864)	(341)
Trade and other payables	(292,416)	(9,182)
Net identifiable assets, liabilities and contingent liabilities	3,882,994	121,921
Goodwill on acquisition	408,472	12,826
Consideration	(4,291,466)	(134,747)
Consideration paid satisfied in cash	(950,000)	(29,829)
Cash acquired	25,229	792
Net cash outflow	(924,771)	(29,037)

The amounts of revenue and loss accumulated by the subsidiary from the date of acquisition to the reporting date were RUB 49,570 thousand / USD 1,556 thousand and RUB 25,697 thousand / USD 797 thousand respectively. Revenue earned by the subsidiary for the year ended 31 December 2013 amounted to RUB 703,581 thousand / USD 22,092 thousand. It has not been practicable to determine profit for the year ended 31 December 2013 on an IFRS basis because the subsidiary's financial statements before the acquisition were prepared in accordance with Russian Accounting Principles which are significantly different from IFRS.

The fair value of the acquisition was determined by independent appraisal.

The major assumptions used by the appraisal were as follows:

- Cash flows were projected based on budgeted operating results for 2013 and business plans until year 2020;
- The 16.08% discount rate was applied for Property plant and Equipment impairment test.

(b) Disposal of subsidiaries

In June 2013 the Group has sold 50.00% of shares of OOO "Construction trust № 28" and its 79.17% share in JSC "Construction trust № 28" to third parties and lost control over the subsidiaries, as management has decided to cease operation of this line of business.

OOO “Construction trust № 28” and JSC “Construction trust № 28” were engaged in Pile Foundation and Construction in Saint Petersburg. The disposal of the subsidiaries had the following effect on the Group’s assets and liabilities at the date of disposal:

Carrying amounts at the date of disposal	'000 RUB	'000 USD
Non-current assets		
Property, plant and equipment	239,811	7,530
Investment	11	-
Deferred tax assets	6,665	209
Current assets		
Inventories	63,157	1,983
Trade and other receivables	181,315	5,693
Cash and cash equivalents	48,369	1,519
Non-current liabilities		
Deferred tax liabilities	(42,513)	(1,335)
Current liabilities		
Interest-bearing loans and borrowings	(3,192)	(100)
Trade and other payables	(188,121)	(5,907)
Current income tax liabilities	(660)	(21)
Net assets, liabilities and contingent liabilities disposed	304,842	9,571
Non-controlling interest in disposal subsidiaries	(170,296)	(5,347)
Excess of consideration received over book values of net assets sold	454	15
Consideration satisfied in cash	135,000	4,239
Cash and cash equivalents disposed	(48,369)	(1,519)
Net cash inflow	<u>86,631</u>	<u>2,720</u>

Group recognised a decrease in non-controlling interests of RUB 170,296 thousand / USD 5,347 thousand in equity and of RUB 23,360 thousand / USD 733 thousand in liability.

During the year ended 31 December 2013 the Group also recognised RUB 6,884 thousand / USD 216 thousand excess of consideration received over the book values of net assets of other not significant subsidiaries disposed as contribution from shareholders directly in equity.

In December 2014 the Group sold 100.00% shares of LLC “LSR.Cement-NW” (Limited Liability Company “Cement”) including its 99.99% share in OOO “Kazinskoe Karieroupravlenie” to third party and lost control over subsidiaries, as management has decided to focus on projects with highest return on invested capital and on real estate development projects.

LLC “LSR.Cement-NW” was engaged in production of cement in Leningrad region. Significant portion of the entity's liabilities were represented by bank loan, nominated in USD, which generated significant foreign exchange loss in 2014. As a result of disposal the debt of the Group decreased significantly and is nominated only in Russian Roubles.

The disposal of the subsidiaries has the following effect on the Group's assets and liabilities at the date of disposal.

Carrying amounts at the date of disposal	'000 RUB	'000 USD
Non-current assets		
Property, plant and equipment	11,895,472	309,604
Goodwill	621,485	16,175
Intangible assets	210,958	5,491
Deferred tax assets	1,844,525	48,007
Current assets		
Inventories	1,053,380	27,417
Trade and other receivables	292,036	7,600
Cash and cash equivalents	81,409	2,119
Non-current liabilities		
Deferred tax liabilities	(48,634)	(1,266)
Interest-bearing loans and borrowings	(9,711,387)	(252,758)
Current liabilities		
Interest-bearing loans and borrowings	(3,054,818)	(79,508)
Trade and other payables	(950,615)	(24,742)
Net assets, liabilities and contingent liabilities disposed	2,233,811	58,139
Excess of consideration received over book values of net assets sold	2,766,189	71,996
Consideration receivable	5,000,000	130,135
Cash and cash equivalents disposed	(81,409)	(2,119)
Net cash outflow during the year	(81,409)	(2,119)

7 Administrative expenses

	2014	2013	2014	2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Wages and salaries	3,405,586	2,958,582	88,637	92,897
Services	1,005,446	848,542	26,170	26,644
Materials	134,027	125,588	3,488	3,943
Depreciation and amortisation	283,584	265,224	7,381	8,328
Taxes other than profit tax	394,612	397,784	10,271	12,491
Social expenditure	582,179	487,120	15,153	15,295
Insurance	43,470	13,448	1,131	422
Change in allowance recognised for doubtful debts	433,098	81,856	11,272	2,570
Other administrative expenses	488,676	342,769	12,719	10,763
	<u>6,770,678</u>	<u>5,520,913</u>	<u>176,222</u>	<u>173,353</u>

8 Other income and expenses

	2014	2013	2014	2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Other income:				
Gain on disposal of property, plant and equipment	-	123,539	-	3,879
Gain on disposal of other assets	409,093	2,930	10,647	91
Gain on disposal of subsidiaries	2,766,189	454	71,996	15
Total other income	<u>3,175,282</u>	<u>126,923</u>	<u>82,643</u>	<u>3,985</u>
Other expenses:				
Loss on disposal of property, plant and equipment	(6,568)	-	(171)	-
Other expenses	(98,187)	(236,553)	(2,555)	(7,428)
Total other expenses	<u>(104,755)</u>	<u>(236,553)</u>	<u>(2,726)</u>	<u>(7,428)</u>
Net other income / (expenses)	<u>3,070,527</u>	<u>(109,630)</u>	<u>79,917</u>	<u>(3,443)</u>

9 Total personnel costs

	2014	2013	2014	2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Wages and salaries:				
Cost of sales	8,586,918	7,518,046	223,491	236,060
Administrative expenses	3,405,586	2,958,582	88,637	92,897
Distribution expenses	324,465	429,170	8,445	13,477
	<u>12,316,969</u>	<u>10,905,798</u>	<u>320,573</u>	<u>342,434</u>

10 Finance income and finance costs

	2014 <u>'000 RUB</u>	2013 <u>'000 RUB</u>	2014 <u>'000 USD</u>	2013 <u>'000 USD</u>
Recognised in profit or loss				
Finance income				
Foreign exchange gain	111,284	145,894	2,896	4,581
Interest income	895,211	216,045	23,300	6,784
Unwind of discount	11,828	6,178	308	194
Income from sale of available-for-sale investments	1,352	-	35	-
Other finance income	-	1,176	-	37
	<u>1,019,675</u>	<u>369,293</u>	<u>26,539</u>	<u>11,596</u>
Finance costs				
Interest expense	(3,029,409)	(3,634,663)	(78,846)	(114,125)
Unwind of discount	(616,403)	(1,517)	(16,043)	(48)
Foreign exchange loss	(3,391,761)	(545,607)	(88,277)	(17,132)
Repurchase of own bonds	(10,801)	(29,280)	(281)	(919)
Loss from sale of available-for-sale investments	-	(11,132)	-	(350)
Impairment of financial assets	(1,981)	(71,632)	(52)	(2,249)
Non-controlling interest in limited liability subsidiaries	-	(1,591)	-	(50)
Other finance costs	(762)	(59,718)	(20)	(1,875)
	<u>(7,051,117)</u>	<u>(4,355,140)</u>	<u>(183,519)</u>	<u>(136,748)</u>
Net finance costs recognised in profit or loss	<u>(6,031,442)</u>	<u>(3,985,847)</u>	<u>(156,980)</u>	<u>(125,152)</u>
Recognised in other comprehensive income				
Finance income / (costs)				
Foreign currency translation differences for foreign operations	512,547	87,070	(802,640)	(139,494)
Finance income / (costs) recognised in other comprehensive income, net of tax	<u>512,547</u>	<u>87,070</u>	<u>(802,640)</u>	<u>(139,494)</u>
Attributable to:				
Equity holders of the Company	<u>512,547</u>	<u>87,070</u>	<u>(802,640)</u>	<u>(139,494)</u>

In addition to borrowing costs recognised as an expense during the year ended 31 December 2014, interest in the amount of RUB 472,498 thousand / USD 12,298 thousand (31 December 2013: RUB 448,891 thousand / USD 14,095 thousand) has been capitalized using a capitalization rate of 9.97% (31 December 2013: 10.11%) as part of the objects under construction.

11 Income tax expense

	2014	2013	2014	2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
<i>Current tax expense</i>				
Current year	2,270,361	2,749,786	59,092	86,341
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	(11,967)	(1,538,641)	(312)	(48,312)
Income tax expense	2,258,394	1,211,145	58,780	38,029

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20.00% (2013: 20.00%).

Reconciliation of effective tax rate:

	2014		2013		2014		2013	
	'000 RUB	%	'000 RUB	%	'000 USD	%	'000 USD	%
Profit for the year	9,202,070		3,293,493		239,502		103,413	
Income tax expense	2,258,394		1,211,145		58,780		38,029	
Profit before income tax	<u>11,460,464</u>		<u>4,504,638</u>		<u>298,282</u>		<u>141,442</u>	
Income tax at applicable tax rate	2,292,092	(20)	900,927	(20)	59,656	(20)	28,287	(20)
Non-taxable income	(507,251)	4	(151,412)	3	(13,202)	4	(4,754)	3
Non-deductible expenses	471,183	(4)	482,928	(10)	12,264	(4)	15,165	(10)
Current year (reverses of losses) losses for which no deferred tax asset was recognised	<u>2,370</u>	<u>-</u>	<u>(21,298)</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>(669)</u>	<u>-</u>
Total income tax expenses for the year	<u>2,258,394</u>	<u>(20)</u>	<u>1,211,145</u>	<u>(27)</u>	<u>58,780</u>	<u>(20)</u>	<u>38,029</u>	<u>(27)</u>

12 Construction contracts

Significant share of the Group's revenue relates to construction services, provided under long-term construction contracts. Respective revenue and gross margin mainly relate to LSR. Construction segment and are presented below:

	2014	2013	2014	2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Contract revenue	4,121,342	5,924,666	107,266	186,029
Contract costs	(3,342,462)	(5,446,853)	(86,994)	(171,026)
Gross profit	778,880	477,813	20,272	15,003

13 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2013	21,132,312	18,298,087	3,509,303	787,666	9,053,127	52,780,495
Acquisitions through business combinations	1,210,562	1,303,479	108,729	389	633,674	3,256,833
Additions	508,480	851,544	614,040	67,006	1,711,835	3,752,905
Disposals	(444,537)	(429,101)	(163,265)	(71,618)	(26,640)	(1,135,161)
Business disposals	(82,654)	(319,252)	(29,230)	(8,623)	(236)	(439,995)
Reclassifications to inventories	(12,974)	-	-	-	(229,129)	(242,103)
Transfers and reclassifications	4,588,959	2,663,370	4,203	21,293	(7,277,825)	-
Effect of movements in exchange rates	50,455	45,454	1,965	629	674	99,177
At 31 December 2013	26,950,603	22,413,581	4,045,745	796,742	3,865,480	58,072,151
At 1 January 2014	26,950,603	22,413,581	4,045,745	796,742	3,865,480	58,072,151
Additions	395,462	667,178	309,797	61,953	243,047	1,677,437
Disposals	(260,549)	(189,942)	(205,053)	(52,094)	(28,701)	(736,339)
Business disposals	(7,697,516)	(5,652,247)	(267,908)	(48,239)	(109,540)	(13,775,450)
Reclassifications to inventories	(122,328)	-	-	-	(117,254)	(239,582)
Reclassifications to assets held for sale	(303,543)	(216,335)	(317,984)	(1,874)	(7,162)	(846,898)
Transfers and reclassifications	1,270,080	1,556,491	4,478	8,244	(2,839,293)	-
Effect of movements in exchange rates	(99,228)	(84,064)	(3,445)	(1,172)	(1,367)	(189,276)
At 31 December 2014	20,132,981	18,494,662	3,565,630	763,560	1,005,210	43,962,043
Depreciation and impairment losses						
At 1 January 2013	(3,239,171)	(6,825,448)	(2,282,229)	(526,208)	-	(12,873,056)
Depreciation charge	(870,714)	(1,820,693)	(385,655)	(93,327)	-	(3,170,389)
Disposals	82,319	268,011	156,012	62,710	-	569,052
Business disposals	38,867	139,253	14,763	7,301	-	200,184
Reclassifications to inventories	386	-	-	-	-	386
Transfers and reclassifications	704	1,906	1,918	(4,528)	-	-
Effect of movements in exchange rates	(8,799)	(12,349)	(1,088)	(420)	-	(22,656)
At 31 December 2013	(3,996,408)	(8,249,320)	(2,496,279)	(554,472)	-	(15,296,479)
At 1 January 2014	(3,996,408)	(8,249,320)	(2,496,279)	(554,472)	-	(15,296,479)
Depreciation charge	(999,611)	(2,085,700)	(409,383)	(92,925)	-	(3,587,619)
Disposals	98,634	143,232	126,925	44,057	-	412,848
Business disposals	704,553	946,617	201,073	27,735	-	1,879,978
Reclassifications to inventories	40,645	-	-	-	-	40,645
Reclassifications to assets held for sale	190,539	173,858	271,977	1,471	-	637,845
Transfers and reclassifications	15	7,046	2,046	(9,107)	-	-
Effect of movements in exchange rates	17,109	21,013	2,119	901	-	41,142
At 31 December 2014	(3,944,524)	(9,043,254)	(2,301,522)	(582,340)	-	(15,871,640)
Net book value						
At 1 January 2013	17,893,141	11,472,639	1,227,074	261,458	9,053,127	39,907,439
At 31 December 2013	22,954,195	14,164,261	1,549,466	242,270	3,865,480	42,775,672
At 31 December 2014	16,188,457	9,451,408	1,264,108	181,220	1,005,210	28,090,403

'000 USD	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2013	695,767	602,452	115,541	25,934	298,068	1,737,762
Acquisitions through business combinations	38,011	40,928	3,414	12	19,897	102,262
Additions	15,966	26,738	19,280	2,104	53,750	117,838
Disposals	(13,958)	(13,473)	(5,126)	(2,249)	(836)	(35,642)
Business disposals	(2,595)	(10,024)	(918)	(271)	(7)	(13,815)
Reclassifications to inventories	(407)	-	-	-	(7,194)	(7,601)
Transfers and reclassifications	144,089	83,628	132	669	(228,518)	-
Effect of movements in exchange rates	(53,431)	(45,430)	(8,710)	(1,856)	(17,055)	(126,482)
At 31 December 2013	<u>823,442</u>	<u>684,819</u>	<u>123,613</u>	<u>24,343</u>	<u>118,105</u>	<u>1,774,322</u>
At 1 January 2014	823,442	684,819	123,613	24,343	118,105	1,774,322
Additions	10,293	17,365	8,063	1,612	6,326	43,659
Disposals	(6,781)	(4,944)	(5,337)	(1,356)	(747)	(19,165)
Business disposals	(200,343)	(147,111)	(6,973)	(1,256)	(2,851)	(358,534)
Reclassifications to inventories	(3,184)	-	-	-	(3,052)	(6,236)
Reclassifications to assets held for sale	(7,900)	(5,631)	(8,276)	(49)	(186)	(22,042)
Transfers and reclassifications	33,056	40,511	117	215	(73,899)	-
Effect of movements in exchange rates	(290,717)	(256,264)	(47,827)	(9,937)	(25,828)	(630,573)
At 31 December 2014	<u>357,866</u>	<u>328,745</u>	<u>63,380</u>	<u>13,572</u>	<u>17,868</u>	<u>781,431</u>
Depreciation and impairment losses						
At 1 January 2013	(106,647)	(224,723)	(75,141)	(17,325)	-	(423,836)
Depreciation charge	(27,340)	(57,168)	(12,109)	(2,930)	-	(99,547)
Disposals	2,585	8,415	4,899	1,969	-	17,868
Business disposals	1,220	4,372	464	229	-	6,285
Reclassifications to inventories	12	-	-	-	-	12
Transfers and reclassifications	22	60	60	(142)	-	-
Effect of movements in exchange rates	8,043	16,996	5,556	1,258	-	31,853
At 31 December 2013	<u>(122,105)</u>	<u>(252,048)</u>	<u>(76,271)</u>	<u>(16,941)</u>	<u>-</u>	<u>(467,365)</u>
At 1 January 2014	(122,105)	(252,048)	(76,271)	(16,941)	-	(467,365)
Depreciation charge	(26,017)	(54,284)	(10,655)	(2,419)	-	(93,375)
Disposals	2,567	3,728	3,303	1,147	-	10,745
Business disposals	18,337	24,638	5,233	722	-	48,930
Reclassifications to inventories	1,058	-	-	-	-	1,058
Reclassifications to assets held for sale	4,959	4,525	7,079	38	-	16,601
Transfers and reclassifications	-	183	53	(236)	-	-
Effect of movements in exchange rates	51,087	112,513	30,348	7,338	-	201,286
At 31 December 2014	<u>(70,114)</u>	<u>(160,745)</u>	<u>(40,910)</u>	<u>(10,351)</u>	<u>-</u>	<u>(282,120)</u>
Net book value						
At 1 January 2013	<u>589,120</u>	<u>377,729</u>	<u>40,400</u>	<u>8,609</u>	<u>298,068</u>	<u>1,313,926</u>
At 31 December 2013	<u>701,337</u>	<u>432,771</u>	<u>47,342</u>	<u>7,402</u>	<u>118,105</u>	<u>1,306,957</u>
At 31 December 2014	<u>287,752</u>	<u>168,000</u>	<u>22,470</u>	<u>3,221</u>	<u>17,868</u>	<u>499,311</u>

Depreciation expense of RUB 3,260,167 thousand / USD 84,852 thousand has been charged in cost of goods sold (31 December 2013: RUB 2,819,671 thousand / USD 88,535 thousand), RUB 78,177 thousand / USD 2,035 thousand in distribution expenses (31 December 2013: RUB 85,381 thousand / USD 2,681 thousand) and RUB 264,046 thousand / USD 6,872 thousand in administrative expenses (31 December 2013: RUB 239,718 thousand / USD 7,527 thousand).

(a) Impairment

Property, plant and equipment were tested for impairment; the basis for impairment is disclosed in note 14.

(b) Security

Properties with a carrying amount of RUB 6,278,354 thousand / USD 111,599 thousand are subject to a registered debenture to secure bank loans (31 December 2013: RUB 12,119,879 thousand / USD 370,308 thousand) (refer to note 23).

Properties with a carrying amount of RUB 115,880 thousand / USD 2,060 thousand are pledged to secure payments under the purchase contracts with payments by instalments.

(c) 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 2014 the net book value of leased plant and machinery was RUB 219,577 thousand / USD 3,903 thousand (31 December 2013: RUB 329,249 thousand / USD 10,060 thousand).

14 Intangible assets

'000 RUB	Goodwill	Other	Total
<i>Cost</i>			
Balance at 1 January 2013	3,941,081	1,603,014	5,544,095
Acquisition through business combinations	408,472	5,489	413,961
Additions	-	9,056	9,056
Disposals	-	(3,434)	(3,434)
Effects of movement in exchange rates	-	113	113
Balance at 31 December 2013	<u>4,349,553</u>	<u>1,614,238</u>	<u>5,963,791</u>
Balance at 1 January 2014	4,349,553	1,614,238	5,963,791
Additions	-	9,486	9,486
Disposals	-	(7,795)	(7,795)
Business disposals	(621,485)	(244,164)	(865,649)
Effects of movement in exchange rates	-	(256)	(256)
Balance at 31 December 2014	<u>3,728,068</u>	<u>1,371,509</u>	<u>5,099,577</u>
<i>Amortisation and impairment losses</i>			
Balance at 1 January 2013	(281,496)	(314,010)	(595,506)
Amortisation charge	-	(93,115)	(93,115)
Disposals	-	235	235
Effects of movement in exchange rates	-	(48)	(48)
Balance at 31 December 2013	<u>(281,496)</u>	<u>(406,938)</u>	<u>(688,434)</u>
Balance at 1 January 2014	(281,496)	(406,938)	(688,434)
Amortisation charge	-	(75,071)	(75,071)
Disposals	-	7,098	7,098
Business disposals	-	33,206	33,206
Effects of movement in exchange rates	-	98	98
Balance at 31 December 2014	<u>(281,496)</u>	<u>(441,607)</u>	<u>(723,103)</u>
<i>Net book value</i>			
At 1 January 2013	<u>3,659,585</u>	<u>1,289,004</u>	<u>4,948,589</u>
At 31 December 2013	<u>4,068,057</u>	<u>1,207,300</u>	<u>5,275,357</u>
At 31 December 2014	<u>3,446,572</u>	<u>929,902</u>	<u>4,376,474</u>

'000 USD	Goodwill	Other	Total
Cost			
Balance at 1 January 2013	129,757	52,778	182,535
Acquisition through business combinations	12,826	172	12,998
Additions	-	284	284
Disposals	-	(108)	(108)
Effect of movements in exchange rates	(9,688)	(3,805)	(13,493)
Balance at 31 December 2013	<u>132,895</u>	<u>49,321</u>	<u>182,216</u>
Balance at 1 January 2014	132,895	49,321	182,216
Additions	-	247	247
Disposals	-	(203)	(203)
Business disposals	(16,175)	(6,355)	(22,530)
Effect of movements in exchange rates	(50,453)	(18,631)	(69,084)
Balance at 31 December 2014	<u>66,267</u>	<u>24,379</u>	<u>90,646</u>
Amortisation and impairment losses			
Balance at 1 January 2013	(9,268)	(10,338)	(19,606)
Amortisation charge	-	(2,924)	(2,924)
Disposals	-	7	7
Effect of movements in exchange rates	667	822	1,489
Balance at 31 December 2013	<u>(8,601)</u>	<u>(12,433)</u>	<u>(21,034)</u>
Balance at 1 January 2014	(8,601)	(12,433)	(21,034)
Amortisation charge	-	(1,954)	(1,954)
Disposals	-	185	185
Business disposals	-	864	864
Effect of movements in exchange rates	3,597	5,488	9,085
Balance at 31 December 2014	<u>(5,004)</u>	<u>(7,850)</u>	<u>(12,854)</u>
Net book value			
At 1 January 2013	<u>120,489</u>	<u>42,440</u>	<u>162,929</u>
At 31 December 2013	<u>124,294</u>	<u>36,888</u>	<u>161,182</u>
At 31 December 2014	<u>61,263</u>	<u>16,529</u>	<u>77,792</u>

Other intangible assets mainly include licences for extraction of sand and crushed granite in Saint Petersburg and Ural regions.

(a) Impairment testing of goodwill, other intangible assets and property, plant and equipment

Goodwill is allocated to the Group's entities or business units when appropriate. For the purpose of impairment testing these units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each entity or business unit (BU) and the related impairment losses recognised are as follows:

Entity / Business Unit	Operating Segment	Allocated goodwill		Impairment losses		Net book value at 31 December 2014	
		'000 RUB	'000 USD	'000 RUB	'000 USD	'000 RUB	'000 USD
PJSC "Aeroc Obuchow"(Ukraine)	LSR.Building Materials	818,546	14,550	(164,594)	(2,926)	653,952	11,624
LSR Europe GmbH	LSR.Real Estate	50,093	890	-	-	50,093	890
BU LSR. Reinforced Concrete. NW	LSR.Building Materials	17,354	308	-	-	17,354	308
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	LSR.Real Estate	22,451	399	-	-	22,451	399
BU Other	Other	128,269	2,280	(116,902)	(2,078)	11,367	202
BU LSR.Construction. Ural	LSR.Construction	736,429	13,090	-	-	736,429	13,090
BU LSR.Real Estate.Ural	LSR.Real Estate	1,276,844	22,696	-	-	1,276,844	22,696
BU LSR.Basic Materials. NW	LSR.Building Materials	155,317	2,761	-	-	155,317	2,761
OOO "LSR.Stroitelstvo-M"	LSR.Construction	11,250	200	-	-	11,250	200
BU LSR.Wall Materials.Moscow	LSR.Building Materials	103,043	1,832	-	-	103,043	1,832
LSR.Wall Materials.NW	LSR.Building Materials	408,472	7,261	-	-	408,472	7,261
		<u>3,728,068</u>	<u>66,267</u>	<u>(281,496)</u>	<u>(5,004)</u>	<u>3,446,572</u>	<u>61,263</u>

Impairment review was conducted by the Group as of 31 December 2014. The following key assumptions were used in determining the recoverable amounts of the respective companies as of 31 December 2014 and have not significantly changed compared to those that were used as of 31 December 2013.

Building Materials segments:

- Cash flows were projected based on budgeted operating results for 2015 and three – twelve years business plans;
- Cash flows for further years were extrapolated assuming 2.00% further growth in production;
- Pre-tax discount rate of 20.20% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 48.54% at a market interest rate of 12.76% p.a. and an industry average beta-coefficient.

Construction segments:

- Cash flows were projected based on budgeted operating results for 2015 and three years business plans;
- Plan for 2015 is prepared based on the actual contract portfolio and the actual prices;
- Cash flows for further years were assuming 2.00% further growth in production;
- Pre-tax discount rate of 19.68% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 50.07% at a market interest rate of 10.56% p.a. and an industry average beta-coefficient.

Real Estate segments:

- Cash flows were determined for the existing and planned investment projects on the basis of 4-year budgeted operating results.
- Cash flows for further years were assuming 2.00% further growth.
- Pre-tax discount rate of 19.68% was applied in determining the recoverable amount of the assets. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 50.07% at a market interest rate of 10.56% p.a. and an industry average beta-coefficient.

The values assigned to the key assumptions represent management's assessment of future trends in the construction, development and construction materials production industry and are based on both external sources and internal sources.

No impairment loss was recognised in respect of goodwill allocated to the entities and business units above and other non-financial assets, as the impairment test demonstrates that for these entities and business units' values in use are significantly higher than carrying amounts in aggregate and individually.

15 Other investments

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
<i>Non-current</i>				
Available-for-sale investments:				
<i>Stated at cost</i>	1,502	759	27	23
Originated loans	2,224	1,878	39	57
	<u>3,726</u>	<u>2,637</u>	<u>66</u>	<u>80</u>
<i>Current</i>				
Held to maturity investments	550	22,269	10	680
Originated loans	2,521,573	387,053	44,822	11,825
	<u>2,522,123</u>	<u>409,322</u>	<u>44,832</u>	<u>12,505</u>

Available-for-sale investments stated at cost comprise unquoted equity securities in the construction industry. There is no market for these investments and there have not been any recent transactions that provide evidence of fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty of future cash flows in this industry. However, management does not believe that the fair value at the end of the period would differ significantly from that carrying amount.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

'000 RUB	Assets		Liabilities		Net	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Property, plant and equipment	(286,270)	(1,205,987)	1,177,600	1,964,775	891,330	758,788
Intangible assets	(452)	(364)	89,270	104,284	88,818	103,920
Inventories	(8,030,614)	(2,045,167)	233,631	149,703	(7,796,983)	(1,895,464)
Trade and other receivables	(497,610)	(350,313)	651,828	480,657	154,218	130,344
Loans and borrowings	(20,849)	(84,229)	275	1,351	(20,574)	(82,878)
Trade and other payables	(186,938)	(227,132)	7,981,382	1,355,448	7,794,444	1,128,316
Tax loss carry-forwards	(889,477)	(1,689,232)	-	-	(889,477)	(1,689,232)
Tax (assets)/liabilities	(9,912,210)	(5,602,424)	10,133,986	4,056,218	221,776	(1,546,206)
Set off of tax	8,214,204	2,741,235	(8,214,204)	(2,741,235)	-	-
Net tax (assets)/liabilities	<u>(1,698,006)</u>	<u>(2,861,189)</u>	<u>1,919,782</u>	<u>1,314,983</u>	<u>221,776</u>	<u>(1,546,206)</u>

'000 USD	Assets		Liabilities		Net	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Property, plant and equipment	(5,088)	(36,847)	20,932	60,031	15,844	23,184
Intangible assets	(8)	(11)	1,587	3,186	1,579	3,175
Inventories	(142,745)	(62,488)	4,153	4,574	(138,592)	(57,914)
Trade and other receivables	(8,845)	(10,703)	11,586	14,686	2,741	3,983
Loans and borrowings	(371)	(2,574)	5	41	(366)	(2,533)
Trade and other payables	(3,323)	(6,940)	141,870	41,414	138,547	34,474
Tax loss carry-forwards	(15,811)	(51,612)	-	-	(15,811)	(51,612)
Tax (assets)/liabilities	(176,191)	(171,175)	180,133	123,932	3,942	(47,243)
Set off of tax	146,008	83,755	(146,008)	(83,755)	-	-
Net tax (assets)/liabilities	<u>(30,183)</u>	<u>(87,420)</u>	<u>34,125</u>	<u>40,177</u>	<u>3,942</u>	<u>(47,243)</u>

Deferred tax assets on tax losses carry-forwards recognised as at 31 December 2014 represent tax effect of accumulated unused tax losses recoverable by the future taxable profit. In accessing recoverability of deferred tax assets on tax losses carry-forward the Group applied the same data as it used for impairment testing of goodwill and property, plant and equipment (refer to note 14). The major part of those tax losses relates to business segments LSR. Building Materials and Other and expire in 2015-2024.

(b) Movement in temporary differences during the year

'000 RUB	<u>1 January 2014</u>	<u>Recognised in profit or loss</u>	<u>Acquired/ disposed</u>	<u>Effect of movements in exchange rate</u>	<u>31 December 2014</u>
Property, plant and equipment	758,788	22,696	113,073	(3,227)	891,330
Intangible assets	103,920	31,272	(46,374)	-	88,818
Inventories	(1,895,464)	(5,901,519)	-	-	(7,796,983)
Trade and other receivables	130,344	(6,337)	30,211	-	154,218
Loans and borrowings	(82,878)	(62,132)	124,436	-	(20,574)
Trade and other payables	1,128,316	6,735,195	(69,067)	-	7,794,444
Tax loss carry-forwards	(1,689,232)	(831,142)	1,630,897	-	(889,477)
	<u>(1,546,206)</u>	<u>(11,967)</u>	<u>1,783,176</u>	<u>(3,227)</u>	<u>221,776</u>

'000 RUB	<u>1 January 2013</u>	<u>Recognised in profit or loss</u>	<u>Acquired/ disposed</u>	<u>Effect of movements in exchange rate</u>	<u>31 December 2013</u>
Property, plant and equipment	912,297	(94,567)	(58,438)	(504)	758,788
Intangible assets	129,977	(26,946)	889	-	103,920
Investment property under development	(2,697)	2,697	-	-	-
Investment property	113,060	22,060	(135,120)	-	-
Inventories	(1,477,955)	(415,742)	(1,767)	-	(1,895,464)
Trade and other receivables	(298,458)	411,224	17,578	-	130,344
Loans and borrowings	(12,994)	(70,522)	638	-	(82,878)
Trade and other payables	2,074,048	(945,624)	(108)	-	1,128,316
Tax loss carry-forwards	(934,111)	(421,221)	(333,900)	-	(1,689,232)
	<u>503,167</u>	<u>(1,538,641)</u>	<u>(510,228)</u>	<u>(504)</u>	<u>(1,546,206)</u>

'000 USD	1 January 2014	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2014
Property, plant and equipment	23,184	591	2,943	(10,874)	15,844
Intangible assets	3,175	814	(1,207)	(1,203)	1,579
Inventories	(57,914)	(153,599)	-	72,921	(138,592)
Trade and other receivables	3,983	(165)	786	(1,863)	2,741
Loans and borrowings	(2,533)	(1,617)	3,239	545	(366)
Trade and other payables	34,474	175,296	(1,798)	(69,425)	138,547
Tax loss carry-forwards	(51,612)	(21,632)	42,447	14,986	(15,811)
	<u>(47,243)</u>	<u>(312)</u>	<u>46,410</u>	<u>5,087</u>	<u>3,942</u>

'000 USD	1 January 2013	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2013
Property, plant and equipment	30,039	(2,970)	(1,836)	(2,049)	23,184
Intangible assets	4,279	(846)	28	(286)	3,175
Investment property under development	(89)	85	-	4	-
Investment property	3,722	693	(4,243)	(172)	-
Inventories	(48,661)	(13,054)	(55)	3,856	(57,914)
Trade and other receivables	(9,827)	12,912	552	346	3,983
Loans and borrowings	(428)	(2,214)	20	89	(2,533)
Trade and other payables	68,287	(29,692)	(3)	(4,118)	34,474
Tax loss carry-forwards	(30,755)	(13,226)	(10,484)	2,853	(51,612)
	<u>16,567</u>	<u>(48,312)</u>	<u>(16,021)</u>	<u>523</u>	<u>(47,243)</u>

(c) **Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Tax losses	74,825	72,455	1,330	2,214
Deductible temporary differences on intercompany sales of investments	84,008	84,008	1,493	2,567
Total deferred tax assets have not been recognised	158,833	156,463	2,823	4,781

The tax losses expire in 2015-2024. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that the Group will sell investments in the foreseeable future and can utilize the benefits therefrom.

17 Inventories

	31 December 2014	31 December 2013	1 January 2013	31 December 2014	31 December 2013	1 January 2013
	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD
Work in progress, construction of buildings	71,992,893	63,357,352	47,644,072	1,279,681	1,935,805	1,568,647
Finished goods, construction of buildings	6,460,027	3,174,958	4,349,296	114,828	97,007	143,197
Finished goods and goods for resale	3,214,002	3,490,081	3,552,765	57,130	106,636	116,976
Raw materials and consumables	2,389,125	2,965,824	2,165,629	42,467	90,617	71,300
Work in progress	1,350,860	1,529,779	1,385,604	24,011	46,741	45,620
Lease incentives	19,852,568	656,452	656,452	352,882	20,057	21,613
	105,259,475	75,174,446	59,753,818	1,870,999	2,296,863	1,967,353

Inventories with a carrying amount of RUB 1,381,414 thousand / USD 24,555 thousand are subject to a registered debenture to secure bank loans (31 December 2013: RUB 1,781,988 thousand / USD 54,446 thousand) (refer to note 23).

Inventories with a carrying amount of RUB 3,087,195 thousand / USD 54,875 thousand are pledged to secure payments under the purchase contracts with payment by installments.

Lease incentives are recognized at the present value (see Note 25).

18 Trade and other receivables

	31 December 2014	31 December 2013	1 January 2013	31 December 2014	31 December 2013	1 January 2013
	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD
Non-current						
Notes receivable on disposals of subsidiaries	240,703	154,966	132,754	4,279	4,735	4,372
Accounts receivable - trade	12,686	22,074	-	225	674	-
Other receivables	75	-	-	1	-	-
	<u>253,464</u>	<u>177,040</u>	<u>132,754</u>	<u>4,505</u>	<u>5,409</u>	<u>4,372</u>
Current						
Prepayments to suppliers	17,860,543	9,153,982	5,192,059	317,473	279,689	170,945
Current receivables on disposals of subsidiaries	5,317,894	11,113	75,592	94,526	340	2,489
Accounts receivable – trade	2,366,623	2,485,779	3,945,464	42,067	75,949	129,901
Prepayments for flats	1,589,862	3,057,805	3,626,570	28,260	93,428	119,403
VAT receivable	288,611	364,169	900,844	5,130	11,127	29,660
Amounts due from customers for contract work	245,194	431,533	2,189,512	4,358	13,185	72,088
Notes receivable	174,182	275,991	437,701	3,096	8,433	14,411
Deferred expenses	104,872	127,282	162,413	1,864	3,889	5,347
Employee receivables	2,648	1,940	3,100	47	59	102
Receivables and notes for sale of investment property	-	-	1,492,079	-	-	49,126
Other receivables	3,599,325	3,157,811	2,136,257	63,979	96,482	70,334
	<u>31,549,754</u>	<u>19,067,405</u>	<u>20,161,591</u>	<u>560,800</u>	<u>582,581</u>	<u>663,806</u>
Provision for doubtful debtors	(810,067)	(486,933)	(598,560)	(14,399)	(14,878)	(19,707)
	<u>30,739,687</u>	<u>18,580,472</u>	<u>19,563,031</u>	<u>546,401</u>	<u>567,703</u>	<u>644,099</u>

Non-current receivables on disposals of subsidiaries include discounted amount of receivables from sale of Aeroc International AS with discount rate 4.42%.

Current receivables on disposal of subsidiaries include receivables on disposal of LLC “LSR.Cement-NW” of RUB 5,000,000 thousand / USD 88,876 thousand (refer to note 6) and sale of non-significant subsidiaries OOO “GALS”, OOO “Zagorodnaya, 71” and others in total amount of RUB 317,894 thousand / USD 5,650 thousand.

The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 26.

19 Cash and cash equivalents

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Petty cash	3,293	4,162	59	127
Current accounts	3,824,695	2,257,170	67,984	68,965
Call deposits	21,449,817	3,638,147	381,273	111,159
Cash and cash equivalents in the consolidated statement of financial position	<u>25,277,805</u>	<u>5,899,479</u>	<u>449,316</u>	<u>180,251</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>25,277,805</u>	<u>5,899,479</u>	<u>449,316</u>	<u>180,251</u>

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

20 Restricted cash

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Non-current				
Restricted cash	26,374	162,355	469	4,961
Current				
Restricted cash	<u>16,266</u>	<u>630</u>	<u>289</u>	<u>19</u>
	<u>42,640</u>	<u>162,985</u>	<u>758</u>	<u>4,980</u>

Restricted cash (non-current) as at 31 December 2014 includes the amount of RUB 26,374 thousand / USD 469 thousand which was reserved in connection with confirmed letters of credit issued by the Group's bankers on equipment for production of ferroconcrete piles, plates, and also equipment for reconstruction of concrete-mixing unit (31 December 2013: RUB 38,533 thousand / USD 1,177 thousand).

Restricted cash (current) as at 31 December 2014 includes the amount of RUB 16,266 thousand / USD 289 thousand restricted for use by the Group according to the requirements of German legislation that regulates operations between parties (31 December 2013: RUB 630 thousand / USD 19 thousand).

21 Equity

(a) Share capital

Number of shares unless otherwise stated

	Ordinary shares	
	31 December 2014	31 December 2013
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the year	103,030,215	103,030,215
On issue at end of the year, fully paid	102,030,215	103,030,215

The holders of ordinary shares are entitled to receive dividends which can be declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Treasury share reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Company. At the reporting date the Company held 1,000,000 (31 December 2013: 0) of its own shares.

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2014 the Company had retained earnings, including the profit for the current period, of RUB 14,288,894 thousand / USD 253,987 thousand (as at 31 December 2013: RUB 13,858,960 thousand / USD 423,443 thousand).

In July 2014 the Group distributed dividends in the amount of RUB 4,084,084 thousand / USD 106,296 thousand at value RUB 40.00 / USD 1.04 per share for financial year ended 31 December 2013.

In April 2013 the Group distributed dividends in the amount of RUB 2,060,604 thousand / USD 64,701 thousand at value RUB 20.00 / USD 0.6 per share for financial year ended 31 December 2012.

22 Earnings per share

The calculation of earnings per share is based on profit attributable to the shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, refer to note 21 (a). The Company has no dilutive potential ordinary shares.

	2014	2013
Issued shares at 1 January	103,030,215	103,030,215
Effect of own shares held	(531,507)	-
Weighted average number of shares for the year ended 31 December	102,498,708	103,030,215

23 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, refer to note 26.

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Non-current				
Secured bank loans	9,598,835	21,444,174	170,620	655,200
Unsecured bank loans	7,950,000	1,500,000	141,312	45,831
Unsecured bond issues	1,002,000	3,000,000	17,811	91,660
Finance lease liability	162,131	168,525	2,882	5,149
	<u>18,712,966</u>	<u>26,112,699</u>	<u>332,625</u>	<u>797,840</u>
Current				
Secured bank loans	2,088,846	1,556,017	37,129	47,542
Unsecured bank loans	4,500,000	-	79,988	-
Unsecured other loans	1,923	1,923	34	59
Unsecured bond issues	2,014,868	6,332,119	35,815	193,470
Finance lease liability	48,428	59,376	861	1,813
	<u>8,654,065</u>	<u>7,949,435</u>	<u>153,827</u>	<u>242,884</u>

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

'000 RUB	Cur- rency	Nominal interest rate	Year of maturity	31 December 2014		31 December 2013	
				Face value	Carrying amount	Face value	Carrying amount
Secured facility	EUR	-	-	-	-	93,942	93,942
	USD	-	-	-	-	3,994,156	3,994,156
	RUB	2.00% - 11.65%	2016 - 2021	11,687,681	11,687,681	18,912,093	18,912,093
Unsecured facility	RUB	0.00% - 22.40%	2015 - 2017	15,468,791	15,468,791	10,834,042	10,834,042
Finance lease liability		12.81% - 23.00%	2015 - 2020	210,559	210,559	227,901	227,901
				<u>27,367,031</u>	<u>27,367,031</u>	<u>34,062,134</u>	<u>34,062,134</u>

'000 USD	Cur- rency	Nominal interest rate	Year of maturity	31 December 2014		31 December 2013	
				Face value	Carrying amount	Face value	Carrying amount
Secured facility	EUR	-	-	-	-	2,870	2,870
	USD	-	-	-	-	122,036	122,036
	RUB	2.00% - 11.65%	2016 - 2021	207,749	207,749	577,836	577,836
Unsecured facility	RUB	0.00% - 22.40%	2015 - 2017	274,960	274,960	331,020	331,020
Finance lease liability		12.80% - 23.00%	2015 - 2020	3,743	3,743	6,962	6,962
				<u>486,452</u>	<u>486,452</u>	<u>1,040,724</u>	<u>1,040,724</u>

Covenants and other matters

The Credit Agreements require the Group to comply with certain general, informational and financial covenants, including:

- a limitation on the Group ability to incur additional debt beyond certain financial ratios;
- maintaining by the Group some of financial coefficients on a fixed level
- subject to certain exceptions, a prohibition restricting the Group ability to make significant loans, or give credit, guarantees or indemnities to the third party;
- a restriction on paying or declaring any dividend or other distribution or interest on any unpaid interest (whether in cash or in kind);
- a liability to provide to the Banks with such financial and other information, the Banks may reasonably require in relation to the loan contracts, including the Group annual audited and unaudited consolidated financial statements, prepared in accordance with IFRS.

Finance lease liabilities are payable as follows:

'000 RUB	31 December 2014			31 December 2013		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	74,513	26,085	48,428	86,002	26,626	59,376
Between one and five years	195,482	33,351	162,131	209,009	40,484	168,525
	<u>269,995</u>	<u>59,436</u>	<u>210,559</u>	<u>295,011</u>	<u>67,110</u>	<u>227,901</u>

'000 USD	31 December 2014			31 December 2013		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	1,325	464	861	2,628	815	1,813
Between one and five years	3,475	593	2,882	6,386	1,237	5,149
	<u>4,800</u>	<u>1,057</u>	<u>3,743</u>	<u>9,014</u>	<u>2,052</u>	<u>6,962</u>

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUB 6,278,354 thousand / USD 111,599 thousand is pledged as collateral to secure bank loans (31 December 2013: RUB 12,119,879 thousand / USD 370,308 thousand) – refer to note 13(b).
- Inventories with a carrying amount of RUB 1,381,414 thousand / USD 24,555 thousand are pledged as collateral to secure bank loans. (31 December 2013: RUB 1,781,988 thousand / USD 54,446 thousand) – refer to note 17.

The finance lease liabilities are secured by the leased assets (refer to note 13(c)).

Bank loans are secured by the pledge of the following shares in subsidiary companies as at 31 December 2014:

- 50.00% + 1 share of JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT PETERSBURG”;
- 100.00% of LSR. Wall Materials-NW Ltd (JSC “Pobeda LSR”);
- 100.00% of ZAO “Industrial leasing”.

24 Provisions

'000 RUB	Site restoration	Environ- ment restoration	Warranty provision	Provision for unprofitable contracts	Litigation provision	Total
Current						
Balance at 1 January 2014	156,598	49,132	5,757	4,179	23,858	239,524
Provisions made during the year	2,395,677	315	4,579	2,635	46,628	2,449,834
Provisions used during the year	(855,159)	(49,132)	(3,212)	(4,179)	(23,249)	(934,931)
Unused provisions	(60,716)	-	-	-	(609)	(61,325)
Exchange differences (+/-)	-	-	2,991	-	-	2,991
Balance at 31 December 2014	<u>1,636,400</u>	<u>315</u>	<u>10,115</u>	<u>2,635</u>	<u>46,628</u>	<u>1,696,093</u>
Non-current						
Balance at 1 January 2014	-	19,290	-	-	-	19,290
Provisions made during the year	-	13,747	-	-	-	13,747
Provisions used during the year	-	(5,240)	-	-	-	(5,240)
Balance at 31 December 2014	<u>-</u>	<u>27,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,797</u>

'000 USD	<u>Site restoration</u>	<u>Environ- ment restoration</u>	<u>Warranty provision</u>	<u>Provision for unprofitable contracts</u>	<u>Litigation provision</u>	<u>Total</u>
Current						
Balance at 1 January 2014	4,785	1,501	176	128	729	7,319
Provisions made during the year	62,352	8	119	69	1,214	63,762
Provisions used during the year	(22,257)	(1,279)	(84)	(109)	(605)	(24,334)
Unused provisions	(1,580)	-	-	-	(16)	(1,596)
Exchange differences (+/-)	(14,215)	(224)	(31)	(41)	(493)	(15,004)
Balance at 31 December 2014	<u>29,085</u>	<u>6</u>	<u>180</u>	<u>47</u>	<u>829</u>	<u>30,147</u>
Non-current						
Balance at 1 January 2014	-	590	-	-	-	590
Provisions made during the year	-	358	-	-	-	358
Provisions used during the year	-	(136)	-	-	-	(136)
Exchange differences (+/-)	-	(318)	-	-	-	(318)
Balance at 31 December 2014	<u>-</u>	<u>494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>494</u>

(a) Site restoration

The Group records provisions in respect of the Group's obligation to incur additional costs including costs associated with clean up the surrounding area after finishing the construction of apartment buildings in Saint Petersburg, Moscow, Yekaterinburg and Leningrad region.

(b) Environment restoration

The Group records provisions in respect of the Group's obligation to clean up the surrounding area after quarrying sand in water and forested areas. The damage caused during quarrying is cleaned up after quarrying is completed. The amount of provision is estimated based on the available information. The Group expects the resulting outflow of economic benefits over the next five years.

(c) Warranty provision

The provision for warranties relates mainly to the residential units sold during the period. The provision is based on estimates made from historical warranty data associated with similar products and services and is required under the German legislation. The Group expects the resulting outflow of economic benefits over the next year. For the production companies warranty provision relates to the construction works done.

(d) Provision for unprofitable contracts

The Group records provisions in respect of the Group's loss contracts in connection of immediately reflection of loss on construction contracts. Amount of the provision is calculated based on contract price, contract expenses accounted contract stage per definite loss contract.

(e) Litigation provision

The Group recognises provision on legal obligations that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

25 Trade and other payables

	31 December 2014	31 December 2013	1 January 2013	31 December 2014	31 December 2013	1 January 2013
	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD
Non-current payables						
Accounts payable – trade	16,658,421	-	-	296,105	-	-
Notes payable long-term	-	20,215	185,218	-	618	6,098
	<u>16,658,421</u>	<u>20,215</u>	<u>185,218</u>	<u>296,105</u>	<u>618</u>	<u>6,098</u>
Current payables						
Prepayments received for flats	67,931,368	39,097,039	14,019,848	1,207,489	1,194,562	461,595
Accounts payable trade	8,528,033	4,272,490	4,657,545	151,587	130,540	153,347
Advances from customers	2,470,836	3,671,413	3,992,877	43,920	112,177	131,462
Other taxes payable	1,745,659	2,458,339	1,571,518	31,029	75,111	51,741
Accounts due to customers for contract work	1,450,012	2,050,359	401,855	25,774	62,646	13,231
Employee-related liabilities	1,069,912	931,751	834,709	19,018	28,469	27,482
Interest payable	125,082	876,791	1,108,042	2,223	26,789	36,482
Deferred income	48,692	56,561	25,902	866	1,728	853
Notes payable	35,306	83,654	69,562	628	2,556	2,290
Non-controlling interest in limited liability subsidiaries	-	-	21,760	-	-	716
Dividend liabilities, interest-free	-	3,766	1,129	-	115	37
Other payables	1,359,250	1,491,962	2,081,696	24,161	45,584	68,539
	<u>84,764,150</u>	<u>54,994,125</u>	<u>28,786,443</u>	<u>1,506,695</u>	<u>1,680,277</u>	<u>947,775</u>

Prepayments received for flats include RUB 38,988,813 thousand / USD 693,031 thousand for flats, which are expected to be delivered after 12 months from the balance sheet date (31 December 2013: RUB 29,476,472 thousand / USD 900,617 thousand).

Trade payables include payables for land plots and lease incentives to be repaid in installments. Payables for land plots and lease incentives are discounted at rates 10.60% and 10.70%, respectively.

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

26 Financial risk management

(a) Overview

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

- credit risk;
- liquidity risk;
- market risk;
- operational 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 statement.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The Audit Committee reports regularly to the Board of Directors on its activities.

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, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(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 the Group's receivables from customers and investment securities.

(i) Trade and other receivables

Trade receivables from the largest five debtors of the Group represents approximately RUB 423,831 thousand / USD 7,534 thousand (31 December 2013: RUB 416,299 thousand / USD 12,720 thousand) of the Group's total Trade receivables. Geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

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 are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Managing Directors; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Most of the Group's customers in the LSR.Building Materials, LSR. Construction operating segments have been transacting with the Group for over four years, and losses have occurred infrequently. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group does not have a unified policy for management of credit risk in place. Due to significant differences in operations at different business units specific credit policies are developed at the level of operational companies. Each of the operating companies has established procedures in place to review and collect outstanding receivables. New customers, as well as customers with significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place. All companies involved in the extraction and production of building materials have in place credit control procedures which require them to cancel despatching goods in case of the absence of a signed contract, previous fail to pay or previous violations of contract conditions. Also certain limits for the accounts receivable are established for particular customers.

In the LSR.Real Estate operating segment most sales are on prepayment and cash basis, as the customers are individuals.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. This allowance represents a specific loss component that relates to individually significant exposures.

(ii) *Investments*

The Group limits its exposure to credit risk by investing in credit notes of trade counterparties (customers and suppliers of the Group) that have an appropriate reputation in the market. The Group does not invest any of its assets in traded securities.

(iii) *Guarantees*

As at 31 December 2014 guarantees made to third parties were RUB 13,130,101 thousand / USD 233,389 thousand (31 December 2013: RUB 195,683 thousand / USD 5,979 thousand). Guarantees in amount of RUB 12,846,421 thousand / USD 228,347 thousand were given to LLC "LSR.Cement-NW", which was disposed to third party in 2014 (refer to note 6). These guarantees will be terminated by July 2015.

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	
	<u>31 December 2014</u>	<u>31 December 2013</u>
Available-for-sale financial assets	1,502	759
Loans and receivables	13,901,255	6,534,400
Held to maturity investments	550	22,269
Cash and cash equivalents	25,277,805	5,899,479
Restricted cash	42,640	162,985
	<u>39,223,752</u>	<u>12,619,892</u>

	Carrying amount	
	<u>31 December 2014</u>	<u>31 December 2013</u>
Available-for-sale financial assets	27	23
Loans and receivables	247,097	199,649
Held to maturity investments	10	680
Cash and cash equivalents	449,316	180,251
Restricted cash	758	4,980
	<u>697,208</u>	<u>385,583</u>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	<u>31 December 2014</u>	<u>31 December 2013</u>
Domestic	2,080,901	2,218,447
Euro-zone countries	96,090	47,488
Other CIS countries	10,267	17,008
	<u>2,187,258</u>	<u>2,282,943</u>

	Carrying amount	
	<u>31 December 2014</u>	<u>31 December 2013</u>
Domestic	36,988	67,781
Euro-zone countries	1,708	1,450
Other CIS countries	182	520
	<u>38,878</u>	<u>69,751</u>

The Group's most significant trade debtor, OOO "SDM-Stroytech", accounts for RUB 111,223 thousand / USD 1,977 thousand of the trade receivables carrying amount at 31 December 2014 (31 December 2013 OAO "GlavStroyKomplex": RUB 114,039 thousand / USD 3,484 thousand).

The total amount of impaired trade receivables at the reporting date was RUB 192,051 thousand / USD 3,414 thousand (31 December 2013: RUB 224,910 thousand / USD 6,872 thousand).

The ageing of trade receivables at the reporting date was:

	Gross 31 December 2014	Impairment 31 December 2014	Gross 31 December 2013	Impairment 31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB
Not past due	1,110,982	-	1,534,894	-
Past due 0-30 days	582,225	(1,027)	550,388	-
Past due 31-180 days	405,360	(11,894)	195,237	(17,863)
Past due more than 180 days	280,742	(179,130)	227,334	(207,047)
	<u>2,379,309</u>	<u>(192,051)</u>	<u>2,507,853</u>	<u>(224,910)</u>

	Gross 31 December 2014	Impairment 31 December 2014	Gross 31 December 2013	Impairment 31 December 2013
	'000 USD	'000 USD	'000 USD	'000 USD
Not past due	19,748	-	46,896	-
Past due 0-30 days	10,349	(18)	16,816	-
Past due 31-180 days	7,205	(212)	5,965	(546)
Past due more than 180 days	4,990	(3,184)	6,946	(6,326)
	<u>42,292</u>	<u>(3,414)</u>	<u>76,623</u>	<u>(6,872)</u>

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

	2014	2013
	'000 RUB	'000 RUB
Balance at 1 January	(224,910)	(353,168)
Effect of disposal of subsidiaries	-	79,030
Reversal of impairment loss	32,859	49,228
Balance at 31 December	<u>(192,051)</u>	<u>(224,910)</u>

	2014	2013
	'000 USD	'000 USD
Balance at 1 January	(6,872)	(11,628)
Effect of disposal of subsidiaries	-	2,481
Reversal of impairment loss	855	1,546
Effect of movements in exchange rates	2,603	729
Balance at 31 December	<u>(3,414)</u>	<u>(6,872)</u>

The impairment loss at 31 December 2014 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and internal analysis on the underlying customers' credit ratings.

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

	2014	2013
	'000 RUB	'000 RUB
Balance at 1 January	(262,023)	(245,392)
Impairment loss	(355,993)	(16,631)
Balance at 31 December	<u>(618,016)</u>	<u>(262,023)</u>

	2014	2013
	'000 USD	'000 USD
Balance at 1 January	(8,006)	(8,079)
Impairment loss	(9,265)	(522)
Effect of movements in exchange rates	6,286	595
Balance at 31 December	<u>(10,985)</u>	<u>(8,006)</u>

(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.

The Group uses cash flow budgets which are prepared for each year and quarter to forecast potential liquidity deficit and identify sources of covering that deficit. As at 31 December 2014 the Group's undrawn credit facilities amount is RUB 11,550,000 thousand / USD 205,303 thousand (31 December 2013: RUB 8,769,860 thousand / USD 267,952 thousand). Interest would be payable at the rate of 8.90% to 12.75%.

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.

31 December 2014	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	'000 RUB	Contractual				
Secured bank loans:						
RUB*	2.00% - 11.65%	8.77%	2,088,846	8,671,909	926,926	11,687,681
Unsecured bank loans:						
RUB*	8.90% - 22.40%	16.21%	4,500,000	7,950,000	-	12,450,000
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.04%	1,923	-	-	1,923
Unsecured bond issues:						
RUB*	0.10% - 10.15%	10.09%	2,014,868	1,002,000	-	3,016,868
Finance lease liabilities						
RUB*	12.81% - 14.10%	12.31%	45,418	159,126	-	204,544
EUR*	15.00%	15.00%	136	-	-	136
Other*	21.99% - 23.00%	22.18%	2,874	3,005	-	5,879
Trade and other payables		-	10,047,671	16,658,421	-	26,706,092
Future interests**		-	2,942,887	2,263,706	46,381	5,252,974
Guarantees***		-	12,865,097	265,004	-	13,130,101
			<u>34,509,720</u>	<u>36,973,171</u>	<u>973,307</u>	<u>72,456,198</u>

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2014.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

31 December 2013	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	'000 RUB	Contractual				
Secured bank loans:						
RUB*	2.00% - 11.65%	8.63%	1,556,017	14,312,611	1,505,019	17,373,647
RUB*	CBR rate + 3.00%	10.75%	-	1,367,508	170,938	1,538,446
USD	6M Libor + 5.76%	6.25%	-	3,964,533	29,623	3,994,156
EUR*	4.50%	4.50%	-	93,942	-	93,942
Unsecured bank loans:						
RUB*	9.70%	9.70%	-	1,500,000	-	1,500,000
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.04%	1,923	-	-	1,923
Unsecured bond issues:						
RUB*	8.47% - 11.50%	10.13%	6,332,119	3,000,000	-	9,332,119
Finance lease liabilities						
RUB*	12.91% - 25.33%	14.96%	56,617	167,148	-	223,765
EUR*	15.00%	15.00%	274	130	-	404
Other*	23.00% - 26.00%	23.19%	2,485	1,247	-	3,732
Trade and other payables		-	6,728,663	20,215	-	6,748,878
Future interests**		-	2,631,813	3,936,429	81,052	6,649,294
Guarantees***		-	-	195,683	-	195,683
			<u>17,309,911</u>	<u>28,559,446</u>	<u>1,786,632</u>	<u>47,655,989</u>

*Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2013.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

31 December 2014	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	'000 USD	Contractual				
Secured bank loans:						
RUB*	2.00% - 11.65%	8.77%	37,129	154,144	16,476	207,749
Unsecured bank loans:						
RUB*	8.90% - 22.40%	16.21%	79,988	141,312	-	221,300
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.04%	34	-	-	34
Unsecured bond issues:						
RUB*	0.10% - 10.15%	10.09%	35,815	17,811	-	53,626
Finance lease liabilities						
RUB*	12.81% - 14.10%	12.31%	808	2,829	-	3,637
EUR*	15.00%	15.00%	2	-	-	2
Other*	21.99% - 23.00%	22.18%	51	53	-	104
Trade and other payables		-	178,599	296,105	-	474,704
Future interests**		-	52,310	40,238	824	93,372
Guarantees***		-	228,679	4,710	-	233,389
			<u>613,415</u>	<u>657,202</u>	<u>17,300</u>	<u>1,287,917</u>

* Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2014.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

**31 December
2013**

'000 USD	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	Contractual	Effective				
Secured bank loans:						
RUB*	2.00% - 11.65%	8.63%	47,542	437,304	45,984	530,830
RUB*	CBR rate + 3.00%	10.75%	-	41,783	5,223	47,006
USD	6M Libor + 5.76%	6.25%	-	121,131	905	122,036
EUR*	4.50%	4.50%	-	2,870	-	2,870
Unsecured bank loans:						
RUB*	9.70%	9.70%	-	45,831	-	45,831
Unsecured other loans:						
RUB*	0.00% - 8.25%	0.04%	59	-	-	59
Unsecured bond issues:						
RUB*	8.47% - 11.50%	10.13%	193,470	91,660	-	285,130
Finance lease liabilities						
RUB*	12.91% - 25.33%	14.96%	1,729	5,107	-	6,836
EUR*	15.00%	15.00%	8	4	-	12
Other*	23.00% - 26.00%	23.19%	76	38	-	114
Trade and other payables		-	205,584	618	-	206,202
Future interests**		-	80,412	120,273	2,476	203,161
Guarantees***		-	-	5,979	-	5,979
			528,880	872,598	54,588	1,456,066

* Fixed rate

** Future interests contain non-chargeable, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2013.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Company.

(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 is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUB), but also Euro and Ukrainian Hryvna (UAH). The currencies in which these transactions primarily are denominated in Euro and USD.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily RUB, but also EUR and USD. This provides an economic hedge and no derivatives are entered into.

Exposure to currency risk

The Group's exposure to currency risk was based on the following principal amounts:

31 December 2014
'000 RUB

	<u>EUR-denominated</u>	<u>USD-denominated</u>
Trade and other receivables	247,861	1,139,620
Secured bank loans	-	-
Finance lease liabilities	(136)	-
Trade and other payables	(11,335)	(35,162)
Gross balance sheet exposure	<u>236,390</u>	<u>1,104,458</u>

31 December 2013
'000 RUB

	<u>EUR-denominated</u>	<u>USD-denominated</u>
Trade and other receivables	159,478	-
Secured bank loans	-	(3,994,156)
Finance lease liabilities	(404)	-
Trade and other payables	(18,768)	(101,785)
Gross balance sheet exposure	<u>140,306</u>	<u>(4,095,941)</u>

31 December 2014
'000 USD

	<u>EUR-denominated</u>	<u>USD-denominated</u>
Trade and other receivables	4,406	20,257
Secured bank loans	-	-
Finance lease liabilities	(2)	-
Trade and other payables	(201)	(625)
Gross balance sheet exposure	<u>4,203</u>	<u>19,632</u>

31 December 2013
'000 USD

	EUR-denominated	USD-denominated
Trade and other receivables	4,873	-
Secured bank loans	-	(122,036)
Finance lease liabilities	(12)	-
Trade and other payables	(573)	(3,110)
Gross balance sheet exposure	<u>4,288</u>	<u>(125,146)</u>

The following significant exchange rates applied during the year:

	31 December 2014	31 December 2013
	RUB	RUB
1 USD equals	56.2584	32.7292
1 Euro equals	68.3427	44.9699
1 UAH equals	3.5564	3.9720

Sensitivity analysis

A 10.00% strengthening of RUB against the above currencies would have increased profit by RUB 134,085 thousand / USD 2,383 thousand. A 10.00% weakening of the RUB against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Profile

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

'000 RUB	Carrying amount	
	31 December 2014	31 December 2013
Fixed rate instruments		
Financial assets	2,525,849	411,959
Financial liabilities	(27,367,031)	(30,067,978)
	<u>(24,841,182)</u>	<u>(29,656,019)</u>
Variable rate instruments		
Financial liabilities	<u>-</u>	<u>(3,994,156)</u>

'000 USD	Carrying amount	
	31 December 2014	31 December 2013
Fixed rate instruments		
Financial assets	44,897	12,585
Financial liabilities	(486,452)	(918,688)
	<u>(441,555)</u>	<u>(906,103)</u>
Variable rate instruments		
Financial liabilities	-	(122,036)

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 and other comprehensive income, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and the statement of comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year 2013.

'000 RUB	Profit or loss	
	100 bp increase	100 bp decrease
Year ended 31 December 2014		
Variable rate instruments	-	-
Cash flow sensitivity	-	-
Year ended 31 December 2013		
Variable rate instruments	(39,942)	39,942
Cash flow sensitivity	(39,942)	39,942

'000 USD	Profit or loss	
	100 bp increase	100 bp decrease
Year ended 31 December 2014		
Variable rate instruments	-	-
Cash flow sensitivity	-	-
Year ended 31 December 2013		
Variable rate instruments	(1,220)	1,220
Cash flow sensitivity	(1,220)	1,220

(e) Fair values versus carrying amounts

The fair value of unquoted equity investments is discussed in note 4. In other cases management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for loans.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

'000 RUB	Note	Carrying amount	Fair value	Carrying amount	Fair value
		31 December 2014	31 December 2014	31 December 2013	31 December 2013
Financial assets					
Available-for-sale financial assets	15	1,502	1,502	759	759
Loans and receivables		13,901,255	13,901,255	6,534,400	6,534,400
Held to maturity investments	15	550	550	22,269	22,269
Cash and cash equivalents	19	25,277,805	25,277,805	5,899,479	5,899,479
Restricted cash	20	42,640	42,640	162,985	162,985
		<u>39,223,752</u>	<u>39,223,752</u>	<u>12,619,892</u>	<u>12,619,892</u>
Financial liabilities					
Secured bank loans	23	(11,687,681)	(9,552,325)	(23,000,191)	(22,476,171)
Unsecured bank loans	23	(12,450,000)	(12,281,385)	(1,500,000)	(1,492,190)
Unsecured other loans	23	(1,923)	(1,627)	(1,923)	(1,749)
Unsecured bond issues	23	(3,016,868)	(2,751,561)	(9,332,119)	(9,346,640)
Trade and other payables	25	(26,706,092)	(26,706,092)	(6,748,878)	(6,748,878)
Finance lease liabilities	23	(210,559)	(210,559)	(227,901)	(227,901)
		<u>(54,073,123)</u>	<u>(51,503,549)</u>	<u>(40,811,012)</u>	<u>(40,293,529)</u>

'000 USD	Note	Carrying amount	Fair value	Carrying amount	Fair value
		31 December 2014	31 December 2014	31 December 2013	31 December 2013
Financial assets					
Available-for-sale financial assets	15	27	27	23	23
Loans and receivables		247,097	247,097	199,649	199,649
Held to maturity investments	15	10	10	680	680
Cash and cash equivalents	19	449,316	449,316	180,251	180,251
Restricted cash	20	758	758	4,980	4,980
		<u>697,208</u>	<u>697,208</u>	<u>385,583</u>	<u>385,583</u>
Financial liabilities					
Secured bank loans	23	(207,749)	(169,794)	(702,742)	(686,731)
Unsecured bank loans	23	(221,300)	(218,303)	(45,831)	(45,592)
Unsecured other loans	23	(34)	(29)	(59)	(53)
Unsecured bond issues	23	(53,626)	(48,909)	(285,130)	(285,575)
Trade and other payables	25	(474,704)	(474,704)	(206,202)	(206,202)
Finance lease liabilities	23	(3,743)	(3,743)	(6,962)	(6,962)
		<u>(961,156)</u>	<u>(915,482)</u>	<u>(1,246,926)</u>	<u>(1,231,115)</u>

The interest rates used to discount estimated cash flows, where applicable, are based on marginal borrowing rates, available for the Group as at:

	31 December 2014	31 December 2013
Loans and borrowings	7.83% - 18.28%	5.00% - 10.00%
Leases	12.81% - 23.00%	12.91% - 26.00%

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of the transactions;
- requirements for the reconciliation and monitoring of the transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessments of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit, to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

(g) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

The Group's liabilities to adjusted capital ratio at the end of the reporting year were as follows:

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Total liabilities	133,173,740	91,303,746	2,367,180	2,789,671
Less: cash and cash equivalents	(25,277,805)	(5,899,479)	(449,316)	(180,251)
Net liabilities	<u>107,895,935</u>	<u>85,404,267</u>	<u>1,917,864</u>	<u>2,609,420</u>
Total equity	<u>65,827,909</u>	<u>60,258,611</u>	<u>1,170,099</u>	<u>1,841,127</u>
Net liabilities to capital ratio	<u>1.64</u>	<u>1.42</u>	<u>1.64</u>	<u>1.42</u>

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

'000 RUB	31 December 2014	31 December 2013
Less than one year	329,552	221,237
Between one and five years	1,152,018	798,087
More than five years	7,926,492	3,872,850
	<u>9,408,062</u>	<u>4,892,174</u>
'000 USD	31 December 2014	31 December 2013
Less than one year	5,858	6,760
Between one and five years	20,477	24,385
More than five years	140,894	118,330
	<u>167,229</u>	<u>149,475</u>

The Group leases a number of land plots under operating leases. The leases typically vary from an initial period of four to forty nine years, with an option to renew the lease after that date. Lease payments are usually fixed.

For the production entities lease payments are expensed as incurred, while for the real estate construction entities lease payments are capitalised to the construction costs of the properties, located on the respective land plots. During the year ended 31 December 2014 an amount of RUB 112,167 thousand / USD 2,919 thousand was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of non-cancellable operating leases. During the year ended 31 December 2014 an amount of RUB 256,484 thousand / USD 6,675 thousand was capitalized to the construction cost of the properties, located on the respective land plots.

28 Commitments

At 31 December 2014, the Group was committed to purchase property, plant and equipment for approximately RUB 58,138 thousand / USD 1,033 thousand (31 December 2013: RUB 60,922 thousand / USD 1,861 thousand) net of VAT.

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

Existing litigations include a number of small claims relating to purchases from domestic customers. Based on experience in resolving such claims, management believes that they will be settled without significant cost to the Group. Accordingly, no provision has been made for such amounts.

(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.

The Group companies entered into transactions involving other Group companies at prices which management believed were consistent with applicable tax law. However, based on the uncertainty of legislation, the tax authorities could take a different position and attempt to assess additional tax and interest. The potential amount of such assessment cannot be reasonably estimated based on the uncertainty of transfer pricing rules, but could be significant. Management has not made any provision because it believes there will be no outflow of funds relating to any such assessment.

(d) Environmental liabilities

The Group is engaged in dredging sand from the sea bed and quarrying sand in forested areas. There is no liability to perform any restoration work in relation to the sea bed after the dredging is complete.

The Group is engaged in crushed stone production and extraction of clay in ten areas covered by forests. According to existing legislation and the terms of licenses obtained by the Group there is a liability for the Group to restore these sites when quarrying is complete. The costs associated with restoration cannot be determined as, in accordance with existing licences on crushed stone production, the methods of restoration and its cost will be determined in the future based on discussions between the Group and Russian Environment Authorities after the quarrying is complete. Accordingly, no provision has been recognised in the consolidated financial statements for expected expenses on restoration. It is planned that quarrying will be completed for the currently used ten areas in the years from 2015 to 2029.

30 Related party transactions

(a) Control relationships

The Company is ultimately controlled by Andrey Molchanov.

(b) Transactions with management and close family members

The management and their close family members control 5.00% of the voting shares of the Group. (31 December 2013: 5.00%).

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (refer to note 9):

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
Salaries and bonuses	512,721	475,633	13,345	14,934

(ii) Other transactions with management and close family members

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Sale of goods and services	68,169	106,289	26,862	(15,219)	1,774	3,337	477	(465)
Purchase of goods and services	-	709	-	-	-	22	-	-
Loans received (included into unsecured other loans – refer to note 23)	-	1,910	(1,910)	(1,910)	-	60	(34)	(58)
Loans given to related parties	1,000	5,317	1,000	1,470	26	167	18	45
Sales of note	-	-	-	105	-	-	-	3
Other income (expenses), net	62	4,529	29	914	2	142	1	28

As at 31 December 2014 there were loans to executive directors at amount RUB 1,000 thousand / USD 18 thousand (31 December 2013: RUB 1,470 thousand / USD 45 thousand) (refer to notes 15, 18).

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below:

(i) Revenue

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Sale of goods and services provided to:								
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	21,459	718,776	31,941	39,864	559	22,569	568	1,218
	<u>21,459</u>	<u>718,776</u>	<u>31,941</u>	<u>39,864</u>	<u>559</u>	<u>22,569</u>	<u>568</u>	<u>1,218</u>

All outstanding balances with related parties are to be settled in cash within the year of the balance sheet date. None of the balances is secured.

Other expenses to companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners as at 31 December 2014 amounts to RUB 84,489 thousand / USD 2,199 thousand (other expenses 31 December 2013: RUB 3,355 thousand / USD 105 thousand). Outstanding balance amounts to RUB 307 thousand / USD 5 thousand (31 December 2013: RUB 1,985 thousand / USD 61 thousand).

There is no other income or expenses to companies controlled significantly influenced by the Group management as at 31 December 2014 (31 December 2013: nil). There is no outstanding balance as at 31 December 2014 (31 December 2013: nil).

(ii) *Expenses and capital expenditures*

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Purchase of goods and services from:								
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	11,362	127,801	120,785	575,474	296	4,013	2,147	17,583
	11,362	127,801	120,785	575,474	296	4,013	2,147	17,583

All outstanding balances with related parties are to be settled in cash within the year of the balance sheet date. None of the balances are secured.

(iii) Loans

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Loans given (included into other investments – originated loans category– refer to note 15):								
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	2,200,000	111,700	2,200,000	1,450	57,259	3,507	39,105	44
	2,200,000	111,700	2,200,000	1,450	57,259	3,507	39,105	44

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Interest received (included into other receivables):								
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	9,954	550	9,945	15	259	17	177	-
	9,954	550	9,945	15	259	17	177	-

(iv) *Transactions with shares / promissory notes*

Purchase of shares/promissory notes from

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	64,662	-	723,880	-	2,030	-	22,117
	-	64,662	-	723,880	-	2,030	-	22,117

In February 2013 the Group concluded contract with Streetlink limited to purchase 5,000,000 Global Depository Receipts (GDRs) OJSC LSR Group for agreed price of USD 5.00 per GDR (USD 25,000 thousand in total). Each GDR represents 1/5 of one ordinary share issued by OJSC LSR Group. Transfer of ownership right for GDR was in 2014.

Sale of shares to

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 RUB	'000 RUB	'000 USD	'000 USD	'000 USD	'000 USD
Companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	-	-	53,427	-	-	-	1,632
	-	-	-	53,427	-	-	-	1,632

31 Subsidiaries

Entity	Country of incorporation	Ownership/ voting interest 31 December 2014	Ownership/ voting interest 31 December 2013
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT PETERSBURG"	Russia	100.00%	100.00%
OOO "LSR.Nedvizimost-SZ"	Russia	100.00%	100.00%
OAO "LSR"	Russia	100.00%	100.00%
JSC "Scanex"***	Russia	-	100.00%
OAO "LSR.Zelezobeton-SZ"	Russia	100.00%	100.00%
OOO "LSR.Stroitelstvo-SZ" (ZAO "DSK "Blok")	Russia	100.00%	100.00%
OAO "LSR.Krany.SZ" (OJSC "UM-260")	Russia	100.00%	100.00%
ZAO "LSR.Nedvizimost-M"	Russia	100.00%	100.00%
OOO "GATP №1"****	Russia	-	100.00%
LSR. Wall Materials-NW Ltd (JSC "Pobeda LSR")	Russia	100.00%	100.00%
OOO "Aeroc SPb"****	Russia	-	100.00%
LLC "AEROC"	Ukraine	100.00%	100.00%
ZAO "Industrial leasing"	Russia	100.00%	100.00%
OOO "SPb GDC "YUNA"	Russia	100.00%	100.00%
OOO "MSR-Butovo"(ZAO "MSR-Butovo")	Russia	100.00%	100.00%
Limited Liability Company Smolnii District	Russia	100.00%	100.00%
OOO "BaltStroyKomplekt"	Russia	100.00%	100.00%
OOO "LSR. Bazovye-M"	Russia	100.00%	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
Saargemunder Strabe Wohnbau GmbH & Co. KG	Germany	70.00%	70.00%
Saargemunder Strabe Wohnbau Beteiligungs-GmbH	Germany	70.00%	70.00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%
LSR Vermögensverwaltungs GmbH	Germany	85.00%	85.00%
Oefelestrasse Projektentwicklungs GmbH & Co KG	Germany	85.00%	85.00%
Projektgesellschaft Bayerstr. 79 mbH	Germany	80.00%	80.00%
Bereiteranger Vermögensverwaltungs GmbH	Germany	100.00%	70.00%
Bereiteranger Projektentwicklung GmbH & Co KG	Germany	100.00%	70.00%
Aignerstraße Projektentwicklungsgesellschaft mbH	Germany	100.00%	100.00%
mysuithome Munchen GmbH	Germany	70.00%	70.00%
JSC "A Plus Estate"	Russia	100.00%	100.00%
OAO "Stroicorporatciya"	Russia	100.00%	100.00%
OAO MTO "ARHPROEKT"*	Russia	25.00%	25.00%
OOO "Velikan-XXI vek"	Russia	100.00%	100.00%
LLC "LSR.Cement-NW" (Limited Liability	Russia	-	100.00%

<u>Entity</u>	<u>Country of incorporation</u>	<u>Ownership/ voting interest 31 December 2014</u>	<u>Ownership/ voting interest 31 December 2013</u>
Company "Cement")			
ZAO "Kazanskaya, 36"****	Russia	-	100.00%
OOO "LSR.Stenovye-M"	Russia	100.00%	100.00%
Lsr Group Ltd	Russia	100.00%	100.00%
LSR.Construction-Urals Ltd	Russia	100.00%	100.00%
ZAO "LSR.Nedvizimost-Ural	Russia	100.00%	100.00%
PJSC "Uralscheben"	Russia	100.00%	100.00%
PJSC "Aeroc Obuchow"	Ukraine	97.36%	97.36%
OOO "LSR.Stroitelstvo-M"	Russia	100.00%	100.00%
OOO "LSR-Stroy"	Russia	100.00%	100.00%
Limited Liability Company "KUZZhBI"	Russia	100.00%	100.00%
Limited Liability Company "AvtoKomBalt"	Russia	100.00%	100.00%
OOO "GALS"***	Russia	-	100.00%
LLC "436 KNI"***	Russia	-	100.00%
ZAO "LSR-Bazovye"	Russia	100.00%	100.00%
OOO "Zagorodnaya, 71"***	Russia	-	100.00%
OOO "Kazinskoe Karieroupravleniye"	Russia	-	100.00%
OOO "Kamenskoe-3"	Russia	100.00%	100.00%
OOO "Oktyabrskaya,42"	Russia	100.00%	100.00%
OOO "Landshaft"	Russia	100.00%	100.00%
LLC "Gazstroy"****	Russia	-	100.00%
OOO "Zagorodnaya, 9"	Russia	99.99%	-
OOO "Royal Gardens Hotel"	Russia	100.00%	-
OAo "Tsementnyy Elevator"	Russia	100.00%	-
OOO "Promobyekt"	Russia	100.00%	-

* The Group retained de facto control.

** Not significant subsidiaries disposed to third or related parties during the year ended 31 December 2014.

*** Not significant subsidiaries liquidated during the year ended 31 December 2014.

**** Subsidiaries incorporated to the Group companies during the year ended 31 December 2014.

32 Disposal group held for sale

In December 2014 the Group's management decided to sell part of a manufacturing facility within "LSR.Building Materials" segment due to low returns from the Ready-mix Concrete production in Moscow. Accordingly, Moscow facilities related to the Ready-mix Concrete are presented as a disposal group held for sale.

Efforts to sell the disposal Group have commenced, and the sale is expected to take place during 2015.

At 31 December 2014 the disposal group comprised of the following assets and liabilities.

	Note	As at 31 December 2014	
		'000 RUB	'000 USD
Assets classified as held for sale			
Property, plant and equipment	13	209,053	3,716
Inventories	17	50,188	892
Trade and other receivables	18	89,875	1,598
		349,116	6,206
Liabilities classified as held for sale			
Trade and other payables	25	236,064	4,196
		236,064	4,196

Cumulative income or expense recognised in other comprehensive income

There are no cumulative income or expense recognised in other comprehensive income relating to the disposal group.

(i) Fair value hierarchy

The non-recurring fair value measurements for the disposal group as well as the estimated selling price exceed the carrying amount.

The non-recurring fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2).

33 Events subsequent to the reporting date

(a) Financing events

In March 2015 the Company sold its Series LSR Group 03 bonds on public market for the total amount of RUB 75,500 thousand / USD 1,342 thousand.

(b) Operating events

In March 2015 the Board of Directors recommended the Annual General Shareholders' Meeting to distribute dividends of RUB 78.00 per ordinary share amounting to RUB 8,036,357 thousand / USD 142,847 thousand based on the results of the 2014 financial year.

34 Supplementary disclosures

The following Group entities are included in Segments and Business unit disclosures:

<u>Division</u>	<u>Segment</u>	<u>Business unit</u>	<u>Product</u>	<u>Entity</u>		
Building Materials	LSR.Building Materials	LSR.Basic Materials.NW	Ready-mix Concrete	ZAO "LSR-Bazovye" Ready-mix Concrete		
			Sand	OOO "Landshaft" ZAO "LSR-Bazovye" Sand		
			Crushed Granite	ZAO "LSR-Bazovye" Crushed Granite		
			Ready-mix Concrete	OOO "LSR. Bazovye-M"		
			Cement	LLC "LSR.Cement-NW" (Limited Liability Company "Cement")		
			Brick	LSR. Wall Materials-NW Ltd (JSC "Pobeda LSR") LLC "Gazstroy" LSR Stenovye (Brick)		
			Aerated Concrete	OOO "Aeroc SPb" PJSC "Aeroc Obuchov" LLC "AEROC" LSR Stenovye (Aerated Concrete)		
			Brick	OOO "LSR.Stenovye-M" OOO "MSR-Butovo"(ZAO "MSR-Butovo")		
			Reinforced Concrete	OAO "LSR.Zelezobeton-SZ"		
			Construction	OOO "LSR.Stroitelstvo-SZ" (ZAO "DSK "Blok") OOO "GATP №1"		
Real Estate and Construction	LSR. Construction	LSR. Construction.NW	Construction	OOO "LSR.Stroitelstvo-M" ZAO "LSR.Nedvizimost-M"		
			Construction	LSR.Construction-Urals Ltd Limited Liability Company "KUZhBI" OOO "Kamenskoe-3"		
			Construction	OOO "LSR-Stroy" OAO "Stroicorporatciya" Limited Liability Company "AvtoKomBalt" OOO "Royal Gardens Hotel"		
			Project management	OAO "LSR.Krany.SZ" (OJSC "UM-260")		
			Project management	JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION" "REVIVAL OF SAINT-PETERSBURG" OOO "Oktyabrskaya,42" Limited Liability Company Smolnii District OOO "SPB GDC "YUNA" OAO "LSR" OOO "LSR.Nedvizimost-SZ"		
			Cranes	LSR.Cranes	Cranes	
			Real Estate	LSR.Real Estate.NW	Real Estate	

Division	Segment	Business unit	Product	Entity
		LSR.Real Estate.Moscow	Real Estate	OAO "Tsementnyy Elevator" ZAO "LSR.Nedvizimost-M" OOO "Velikan-XXI vek" OOO "Promobyekt"
		LSR.Real Estate.Urals	Real Estate	ZAO "LSR.Nedvizimost-Ural"
		LSR.Real Estate. Europe	Real Estate	LSR Europe GmbH Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH LSR Vermögensverwaltungs GmbH Oefelestrasse Projektentwicklungs GmbH & Co KG Saargemundr Strabe Wohnbau Beteiligungs-GmbH Projektgesellschaft Bayerstr. 79 mbH Saargemunder Strabe Wohnbau GmbH & Co. KG Bereiteranger Projektentwicklung GmbH & Co.KG Bereiteranger Vermögensverwaltungs GmbH mysuithome Munchen GmbH Aignerstraße Projektentwicklungsgesellschaft mbH
Other	Other	Other	Other entities	ZAO "Kazanskaya, 36" ZAO "Industrial Leasing" OJSC LSR Group OAO MTO "ARHPROEKT" Lsr Group Ltd JSC "A Plus Estate" OOO "BaltStroyKomplekt" OOO "GALS" OOO "Kazinskoe Karieroupravleniye" OOO "Zagorodnaya, 71" OOO "Zagorodnaya, 9" JSC "Scanex" PJSC "Uralscheben"

Key financial performance indicators by business segment / business unit were as follows:

For the year ended 31 December 2014 '000 RUB	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. managem ent fee)	Depreci ation/ Amortis ation	Capitali zed interest recogniz ed in cost of sales	Write off of change in fair value of the disposed asset	EBITDA*
Ready-mix Concrete	3,160,633	172,793	3,333,426	(94,228)	130,502	-	-	36,274
Sand	1,859,387	337,368	2,196,755	575,519	151,554	-	-	727,073
Crushed Granite	3,093,091	887,011	3,980,102	803,248	271,253	-	-	1,074,501
Eliminations	-	(736,271)	(736,271)	-	-	-	-	-
LSR.Basic Materials.NW	8,113,111	660,901	8,774,012	1,284,539	553,309	-	-	1,837,848
LSR.Basic Materials. Moscow	1,495,243	124,832	1,620,075	(61,005)	68,756	-	-	7,751
LSR.Cement.NW	2,080,065	1,678,621	3,758,686	663,299	713,457	-	-	1,376,756
Brick	2,396,569	320,462	2,717,031	295,738	653,489	-	-	949,227
Aerated Concrete	2,902,495	4,803	2,907,298	825,346	153,681	-	-	979,027
Eliminations	-	(4,543)	(4,543)	-	-	-	-	-
LSR.Wall Materials.NW	5,299,064	320,722	5,619,786	1,121,084	807,170	-	-	1,928,254
LSR.Wall Materials. Moscow	766,185	33,685	799,870	(29,246)	115,352	-	-	86,106
LSR.Reinforced Concrete.NW	2,191,852	316,114	2,507,966	(281,345)	267,397	-	-	(13,948)
Eliminations	-	(1,982,676)	(1,982,676)	7,932	-	-	-	7,932
Building Materials	19,945,520	1,152,199	21,097,719	2,705,258	2,525,441	-	-	5,230,699
LSR. Construction.NW	1,454,356	15,136,899	16,591,255	1,272,282	406,295	(20,919)	-	1,699,496
LSR. Construction. Moscow	1,812,372	3,588,205	5,400,577	89,998	76,411	-	-	166,409
LSR. Construction.Ural	1,106,260	2,462,248	3,568,508	69,547	173,781	-	-	243,328
Eliminations	-	-	-	-	-	-	-	-
LSR. Construction	4,372,988	21,187,352	25,560,340	1,431,827	656,487	(20,919)	-	2,109,233
LSR. Project management	2,188,040	53,414	2,241,454	181,458	804	-	-	182,262
LSR. Pile Foundation and Construction	-	-	-	-	-	-	-	-
LSR.Cranes	1,377,497	173,899	1,551,396	302,843	231,609	-	-	534,452
LSR.Real Estate.NW	39,017,869	10	39,017,879	9,824,840	54,026	(71,884)	(150,284)	10,101,034
LSR.Real Estate.Moscow	12,259,657	-	12,259,657	995,903	6,572	(121,057)	-	1,123,532
LSR.Real Estate.Urals	7,832,262	-	7,832,262	1,379,689	3,060	-	-	1,382,749
LSR.Real Estate. Europe	1,326,983	110,116	1,437,099	99,750	1,067	(53,661)	-	154,478
Eliminations	-	-	-	-	-	-	-	-
LSR.Real Estate	60,436,771	110,126	60,546,897	12,300,182	64,725	(246,602)	(150,284)	12,761,793
Eliminations	-	(21,375,887)	(21,375,887)	76,350	-	-	-	76,350
Real Estate and Construction	68,375,296	148,904	68,524,200	14,292,660	953,625	(267,521)	(150,284)	15,664,090
Other entities	1,459,124	-	1,459,124	-	198,990	-	-	198,990
Unallocated income and expenses	367,734	-	367,734	(2,669,949)	-	-	-	(2,669,949)
Transportation revenue	2,199,503	-	2,199,503	-	-	-	-	-
Eliminations	-	(1,301,103)	(1,301,103)	3,163,937	-	-	-	3,163,937
Consolidated	92,347,177	-	92,347,177	17,491,906	3,678,056	(267,521)	(150,284)	21,587,767

*EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period - Capitalized interest recognized in cost of sales.

For the year ended 31 December 2014 '000 USD	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. managem ent fee)	Deprecia tion/ Amortis ation	Capitali zed interest recogniz ed in cost of sales	Write off of change in fair value of the disposed asset	EBITDA*
Ready-mix Concrete	82,262	4,497	86,759	(2,452)	3,397	-	-	945
Sand	48,394	8,781	57,175	14,979	3,944	-	-	18,923
Crushed Granite	80,504	23,086	103,590	20,906	7,060	-	-	27,966
Eliminations	-	(19,163)	(19,163)	-	-	-	-	-
LSR.Basic Materials.NW	211,160	17,201	228,361	33,433	14,401	-	-	47,834
LSR.Basic Materials. Moscow	38,917	3,249	42,166	(1,588)	1,790	-	-	202
LSR.Cement.NW	54,138	43,689	97,827	17,264	18,569	-	-	35,833
Brick	62,375	8,341	70,716	7,697	17,008	-	-	24,705
Aerated Concrete	75,543	125	75,668	21,481	4,000	-	-	25,481
Eliminations	-	(118)	(118)	-	-	-	-	-
LSR.Wall Materials.NW	137,918	8,348	146,266	29,178	21,008	-	-	50,186
LSR.Wall Materials. Moscow	19,941	877	20,818	(761)	3,002	-	-	2,241
LSR.Reinforced Concrete.NW	57,047	8,227	65,274	(7,323)	6,960	-	-	(363)
Eliminations	-	(51,603)	(51,603)	207	-	-	-	207
Building Materials	519,121	29,988	549,109	70,410	65,730	-	-	136,140
LSR. Construction.NW	37,852	393,967	431,819	33,114	10,575	(544)	-	44,233
LSR. Construction. Moscow	47,171	93,390	140,561	2,342	1,989	-	-	4,331
LSR. Construction.Ural	28,793	64,085	92,878	1,810	4,522	-	-	6,332
Eliminations	-	-	-	-	-	-	-	-
LSR. Construction	113,816	551,442	665,258	37,266	17,086	(544)	-	54,896
LSR. Project management	56,948	1,390	58,338	4,723	21	-	-	4,744
LSR. Pile Foundation and Construction	-	-	-	-	-	-	-	-
LSR.Cranes	35,852	4,526	40,378	7,882	6,028	-	-	13,910
LSR.Real Estate.NW	1,015,516	-	1,015,516	255,711	1,406	(1,871)	(3,911)	262,899
LSR.Real Estate.Moscow	319,082	-	319,082	25,920	171	(3,151)	-	29,242
LSR.Real Estate.Urals	203,850	-	203,850	35,909	80	-	-	35,989
LSR.Real Estate. Europe	34,537	2,866	37,403	2,596	28	(1,397)	-	4,021
Eliminations	-	-	-	-	-	-	-	-
LSR.Real Estate	1,572,985	2,866	1,575,851	320,136	1,685	(6,419)	(3,911)	332,151
Eliminations	-	(556,349)	(556,349)	1,987	-	-	-	1,987
Real Estate and Construction	1,779,601	3,875	1,783,476	371,994	24,820	(6,963)	(3,911)	407,688
Other entities	37,978	-	37,978	-	5,179	-	-	5,179
Unallocated income and expenses	9,571	-	9,571	(69,490)	-	-	-	(69,490)
Transportation revenue	57,246	-	57,246	-	-	-	-	-
Eliminations	-	(33,863)	(33,863)	82,348	-	-	-	82,348
Consolidated	2,403,517	-	2,403,517	455,262	95,729	(6,963)	(3,911)	561,865

*EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period - Capitalized interest recognized in cost of sales.

For the year ended 31 December 2013 (as restated) *000 RUB	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. managem ent fee)	Deprecia tion/ Amortis ation	Capitali zed interest recogniz ed in cost of sales	Write off of change in fair value of the disposed asset	EBITDA*
Ready-mix Concrete	3,011,243	188,039	3,199,282	99,113	128,586	-	-	227,699
Sand	2,546,719	385,440	2,932,159	949,307	155,271	-	-	1,104,578
Crushed Granite	3,103,108	834,924	3,938,032	541,256	303,911	-	-	845,167
Eliminations	-	(645,742)	(645,742)	(38,765)	-	-	-	(38,765)
LSR.Basic Materials.NW	8,661,070	762,661	9,423,731	1,550,911	587,768	-	-	2,138,679
LSR.Basic Materials. Moscow	1,605,981	26,919	1,632,900	3,993	70,561	-	-	74,554
LSR.Cement.NW	1,420,663	1,609,739	3,030,402	286,746	688,594	-	-	975,340
Brick	1,266,060	127,169	1,393,229	241,838	255,937	-	-	497,775
Aerated Concrete	2,718,707	1,845	2,720,552	658,856	175,761	-	-	834,617
Eliminations	-	(9,211)	(9,211)	-	-	-	-	-
LSR.Wall Materials.NW	3,984,767	119,803	4,104,570	900,694	431,698	-	-	1,332,392
LSR.Wall Materials. Moscow	408,151	15,169	423,320	(94,201)	117,887	-	-	23,686
LSR.Reinforced Concrete.NW	3,635,785	324,291	3,960,076	287,832	248,503	-	-	536,335
Eliminations	-	(1,838,692)	(1,838,692)	(9,912)	-	-	-	(9,912)
Building Materials	19,716,417	1,019,890	20,736,307	2,926,063	2,145,011	-	-	5,071,074
LSR. Construction.NW	2,202,716	11,048,209	13,250,925	1,198,106	365,280	-	-	1,563,386
LSR. Construction. Moscow	2,128,271	1,189,414	3,317,685	126,376	60,406	-	-	186,782
LSR. Construction.Ural	1,527,570	2,649,379	4,176,949	282,856	169,670	-	-	452,526
Eliminations	-	(11,195)	(11,195)	265	-	-	-	265
LSR. Construction	5,858,557	14,875,807	20,734,364	1,607,603	595,356	-	-	2,202,959
LSR. Project management	1,372,173	635,593	2,007,766	372,737	788	-	-	373,525
LSR. Pile Foundation and Construction	189,019	231,884	420,903	48,299	13,361	-	-	61,660
LSR.Cranes	1,390,197	98,956	1,489,153	298,393	237,024	-	-	535,417
LSR.Real Estate.NW	20,004,382	-	20,004,382	5,186,991	44,895	-	12,423	5,219,463
LSR.Real Estate.Moscow	480,894	-	480,894	(268,238)	8,523	(14,114)	-	(245,601)
LSR.Real Estate.Urals	7,389,587	-	7,389,587	1,484,854	2,223	-	-	1,487,077
LSR.Real Estate. Europe	43,625	691,097	734,722	(12,948)	762	-	-	(12,186)
Eliminations	-	-	-	-	-	-	-	-
LSR.Real Estate	27,918,488	691,097	28,609,585	6,390,659	56,403	(14,114)	12,423	6,448,753
Eliminations	-	(16,141,757)	(16,141,757)	(978,861)	-	-	-	(978,861)
Real Estate and Construction	36,728,434	391,580	37,120,014	7,738,830	902,932	(14,114)	12,423	8,643,453
Other entities	1,218,263	-	1,218,263	-	190,543	-	-	190,543
Unallocated income and expenses	271,010	-	271,010	(2,114,671)	-	-	-	(2,114,671)
Transportation revenue	2,267,002	-	2,267,002	-	-	-	-	-
Eliminations	-	(1,411,470)	(1,411,470)	(59,737)	-	-	-	(59,737)
Consolidated	60,201,126	-	60,201,126	8,490,485	3,238,486	(14,114)	12,423	11,730,662

*EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period - Capitalized interest recognized in cost of sales.

For the year ended 31 December 2013 (as restated)	Revenue from external customers	Inter- group revenue	Total revenue	Operating profit (excl. managem ent fee)	Deprecia tion/ Amortis ation	Capitali zed interest recogniz ed in cost of sales	Write off of change in fair value of the disposed asset	EBITDA*
'000 USD								
Ready-mix Concrete	94,550	5,904	100,454	3,112	4,037	-	-	7,149
Sand	79,965	12,102	92,067	29,807	4,875	-	-	34,682
Crushed Granite	97,435	26,216	123,651	16,995	9,543	-	-	26,538
Eliminations	-	(20,276)	(20,276)	(1,217)	-	-	-	(1,217)
LSR.Basic Materials.NW	271,950	23,946	295,896	48,697	18,455	-	-	67,152
LSR.Basic Materials. Moscow	50,426	845	51,271	125	2,216	-	-	2,341
LSR.Cement.NW	44,608	50,544	95,152	9,004	21,621	-	-	30,625
Brick	39,753	3,993	43,746	7,594	8,036	-	-	15,630
Aerated Concrete	85,365	58	85,423	20,688	5,519	-	-	26,207
Eliminations	-	(289)	(289)	-	-	-	-	-
LSR.Wall Materials.NW	125,118	3,762	128,880	28,282	13,555	-	-	41,837
LSR.Wall Materials. Moscow	12,816	477	13,293	(2,957)	3,702	-	-	745
LSR.Reinforced Concrete.NW	114,161	10,182	124,343	9,038	7,803	-	-	16,841
Eliminations	-	(57,732)	(57,732)	(313)	-	-	-	(313)
Building Materials	619,079	32,024	651,103	91,876	67,352	-	-	159,228
LSR. Construction.NW	69,163	346,904	416,067	37,620	11,469	-	-	49,089
LSR. Construction. Moscow	66,826	37,347	104,173	3,968	1,897	-	-	5,865
LSR. Construction.Ural	47,965	83,188	131,153	8,881	5,328	-	-	14,209
Eliminations	-	(351)	(351)	8	-	-	-	8
LSR. Construction	183,954	467,088	651,042	50,477	18,694	-	-	69,171
LSR. Project management	43,085	19,957	63,042	11,704	25	-	-	11,729
LSR. Pile Foundation and Construction	5,935	7,281	13,216	1,517	420	-	-	1,937
LSR.Cranes	43,651	3,107	46,758	9,369	7,442	-	-	16,811
LSR.Real Estate.NW	628,121	-	628,121	162,867	1,410	-	390	163,887
LSR.Real Estate.Moscow	15,100	-	15,100	(8,422)	268	(443)	-	(7,711)
LSR.Real Estate.Urals	232,026	-	232,026	46,623	70	-	-	46,693
LSR.Real Estate. Europe	1,369	21,700	23,069	(407)	23	-	-	(384)
Eliminations	-	-	-	-	-	-	-	-
LSR.Real Estate	876,616	21,700	898,316	200,661	1,771	(443)	390	202,485
Eliminations	-	(506,837)	(506,837)	(30,735)	-	-	-	(30,735)
Real Estate and Construction	1,153,241	12,296	1,165,537	242,993	28,352	(443)	390	271,398
Other entities	38,252	-	38,252	-	5,981	-	-	5,981
Unallocated income and expenses	8,509	-	8,509	(66,399)	-	-	-	(66,399)
Transportation revenue	71,182	-	71,182	-	-	-	-	-
Eliminations	-	(44,320)	(44,320)	(1,876)	-	-	-	(1,876)
Consolidated	1,890,263	-	1,890,263	266,594	101,685	(443)	390	368,332

*EBITDA = Operating result + Depreciation/amortisation - Change in fair value of Investment property - Write off of change in fair value of the disposed asset - Impairment losses recognised during the reporting period - Capitalized interest recognized in cost of sales.

Net financial position**

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	'000 RUB	'000 RUB	'000 USD	'000 USD
LSR.Basic Materials.NW	(1,059,060)	(1,003,718)	(18,825)	(30,667)
LSR.Basic Materials.Moscow	(27,090)	(46,787)	(482)	(1,430)
LSR.Cement.NW	-	(12,974,785)	-	(396,428)
LSR.Wall Materials.NW	(8,193,235)	(8,343,235)	(145,636)	(254,917)
LSR.Wall Materials.Moscow	(1,252,803)	(1,266,799)	(22,269)	(38,705)
LSR.Reinforced Concrete.NW	(339,838)	(1,930,462)	(6,041)	(58,983)
LSR.Building Materials	(10,872,026)	(25,565,786)	(193,253)	(781,130)
LSR.Construction.NW	8,722,500	10,258,111	155,044	313,424
LSR.Construction.Moscow	(215)	180,910	(4)	5,527
LSR.Construction.Ural	209,139	866,317	3,717	26,469
LSR.Construction	8,931,424	11,305,338	158,757	345,420
LSR.Project management	(625,200)	63,000	(11,113)	1,925
LSR.Cranes	(113,573)	(261,745)	(2,019)	(7,997)
LSR.Real Estate.NW	(2,344,450)	(5,066,375)	(41,673)	(154,797)
LSR.Real Estate.Moscow	(9,081,772)	(4,554,632)	(161,430)	(139,161)
LSR.Real Estate.Ural	-	-	-	-
LSR.Real Estate.Europe	(485,365)	(93,942)	(8,626)	(2,870)
LSR.Real Estate	(11,911,587)	(9,714,949)	(211,729)	(296,828)
Other entities	(12,776,069)	(10,077,275)	(227,095)	(307,898)
Adjustments	-	189,283	-	5,784
Consolidated	(27,367,031)	(34,062,134)	(486,452)	(1,040,724)

**NFP (Net financial position). Net financial position is debt of the Group allocated to Business Units. Calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.