PJSC LSR Group

Consolidated Financial Statements for the year ended 31 December 2015 and Auditors' Report

Contents

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Auditors' Report

To shareholders and the Board of Directors

PJSC LSR Group

We have audited the accompanying consolidated financial statements of PJSC "LSR Group" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2015, 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.

Audited entity: Public 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 Self-regulated organization of auditors "Audit chamber of Russia" (Association). The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

Kharichkin S.M.

Audit Director of Saint Petersburg branch of JSC "KPMG" – North-West Regional Center,

Power of attorney dated 6 April 2015

JSC "KPMG"

17 March 2016

Saint Petersburg, Russian Federation

	Note	2015 '000 RUB	2014 '000 RUB	2015 '000 USD	2014 '000 USD
Revenue		86,830,351	92,347,177	1,424,431	2,403,517
Cost of sales		(60,733,533)	(66,297,539)	(996,320)	(1,725,522)
Gross profit		26,096,818	26,049,638	428,111	677,995
Distribution expenses		(5,188,917)	(4,857,581)	(85,121)	(126,428)
Administrative expenses	7	(7,023,468)	(6,770,678)	(115,219)	(176,222)
Other income	8	123,350	3,175,282	2,023	82,643
Other expenses	8	(245,278)	(104,755)	(4,023)	(2,726)
Results from operating activities		13,762,505	17,491,906	225,771	455,262
Finance income	10	2,634,454	1,019,675	43,218	26,539
Finance costs	10	(2,434,465)	(7,051,117)	(39,937)	(183,519)
Profit before income tax		13,962,494	11,460,464	229,052	298,282
Income tax expense	11	(3,316,783)	(2,258,394)	(54,411)	(58,780)
Profit for the year		10,645,711	9,202,070	174,641	239,502
Other comprehensive income / (loss)					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences		143,081	512,547	2,347	13,340
Items that will never be reclassified to profit or loss:					
Foreign currency translation difference		-	-	(272,709)	(815,980)
Total comprehensive income / (loss) for the year		10,788,792	9,714,617	(95,721)	(563,138)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 97.

	Note	**2015 '000 RUB**	**2014 '000 RUB**	**2015 '000 USD**	**2014 '000 USD**
Profit attributable to:					
Shareholders of the Company		10,648,717	9,202,703	174,690	239,518
Non-controlling interest		(3,006)	(633)	(49)	(16)
Profit for the year		10,645,711	9,202,070	174,641	239,502
Total comprehensive income attributable to:					
Shareholders of the Company		10,791,798	9,715,250	(95,672)	(563,122)
Non-controlling interest		(3,006)	(633)	(49)	(16)
Total comprehensive income / (loss) for the year		10,788,792	9,714,617	(95,721)	(563,138)
Basic and diluted earnings per share	22	104.60 RUB	89.78 RUB	1.72 USD	2.34 USD

These consolidated financial statements were approved by management on 17 March 2016 and were signed on its behalf by:

A.Y. Molchanov
Chief Executive Officer

A.I. Nikitin
Chief Financial Officer

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 97.

	Note	31 December 2015 ’000 RUB	31 December 2014 ’000 RUB	31 December 2015 ’000 USD	31 December 2014 ’000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	13	29,020,502	28,090,403	398,185	499,311
Intangible assets	14	4,373,495	4,376,474	60,009	77,792
Other investments	15	27,428	3,726	377	66
Deferred tax assets	16	2,277,273	1,698,006	31,246	30,183
Trade and other receivables	18	316,800	253,464	4,347	4,505
Restricted cash	20	-	26,374	-	469
Total non-current assets		36,015,498	34,448,447	494,164	612,326
Current assets					
Other investments	15	85,170	2,522,123	1,168	44,832
Inventories	17	121,270,141	105,259,475	1,663,906	1,870,999
Income tax receivable		219,877	388,730	3,017	6,910
Trade and other receivables	18	26,334,332	30,739,687	361,324	546,401
Cash and cash equivalents	19	20,434,000	25,277,805	280,368	449,316
Restricted cash	20	22,675	16,266	311	289
Assets classified as held for sale	32	-	349,116	-	6,206
Total current assets		168,366,195	164,553,202	2,310,094	2,924,953
Total assets		204,381,693	199,001,649	2,804,258	3,537,279

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 97.

	Note	31 December 2015 '000 RUB	31 December 2014 '000 RUB	31 December 2015 '000 USD	31 December 2014 '000 USD
EQUITY AND LIABILITIES					
Equity	21				
Share capital		34,577	34,577	1,241	1,241
Treasury shares		(1,382,961)	(751,255)	(29,916)	(19,553)
Share premium		26,408,386	26,408,386	959,987	959,987
Additional paid-in capital		16,702,905	16,643,644	640,877	639,905
Foreign currency translation reserve		736,790	593,709	(1,396,245)	(1,125,883)
Retained earnings		25,527,050	22,914,203	753,887	711,024
Total equity attributable to shareholders of the Company		68,026,747	65,843,264	929,831	1,166,721
Non-controlling interest		(32,689)	(15,355)	3,094	3,378
Total equity		67,994,058	65,827,909	932,925	1,170,099
Non-current liabilities					
Loans and borrowings	23	21,904,328	18,712,966	300,543	332,625
Deferred tax liabilities	16	1,812,222	1,919,782	24,865	34,125
Trade and other payables	25	13,670,339	16,658,421	187,567	296,105
Provisions	24	61,092	27,797	838	494
Total non-current liabilities		37,447,981	37,318,966	513,813	663,349
Current liabilities					
Loans and borrowings	23	11,114,087	8,654,065	152,493	153,827
Income tax payable		670,751	504,402	9,203	8,966
Trade and other payables	25	86,261,646	84,764,150	1,183,569	1,506,695
Provisions	24	893,170	1,696,093	12,255	30,147
Liabilities classified as held for sale	32	-	236,064	-	4,196
Total current liabilities		98,939,654	95,854,774	1,357,520	1,703,831
Total liabilities		136,387,635	133,173,740	1,871,333	2,367,180
Total equity and liabilities		204,381,693	199,001,649	2,804,258	3,537,279

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 97.

	2015	**2014**	**2015**	**2014**
	’000 RUB	**’000 RUB**	**’000 USD**	**’000 USD**
OPERATING ACTIVITIES				
Profit for the year	10,645,711	9,202,070	174,641	239,502
Adjustments for:				
Depreciation and amortisation	2,998,225	3,678,056	49,185	95,729
(Gain)/loss on disposal of property, plant and equipment	(21,350)	6,568	(350)	171
Gain on disposal of subsidiaries	-	(2,766,189)	-	(71,996)
Portion of excess of fair value over purchase price of assets*	1,681,930	-	27,592	-
Capitalized interest recognized in cost of sales	189,957	267,521	3,116	6,963
Net finance (income)/costs	(199,989)	6,031,442	(3,281)	156,980
Income tax expense	3,316,783	2,258,394	54,411	58,779
Operating profit before changes in working capital and provisions	18,611,267	18,677,862	305,314	486,128
Increase in inventories	(15,748,703)	(30,845,913)	(258,354)	(802,824)
Increase in trade and other receivables	(108,295)	(7,923,340)	(1,776)	(206,221)
(Decrease) / increase in trade and other payables	(3,484,885)	47,636,250	(57,168)	1,239,827
(Decrease) / increase in provisions	(769,628)	1,465,076	(12,626)	38,131
Cash flows (utilised by) / from operations before income taxes and interest paid	(1,500,244)	29,009,935	(24,610)	755,041
Income taxes paid	(3,668,408)	(2,580,348)	(60,179)	(67,159)
Interest paid	(3,162,498)	(4,179,597)	(51,880)	(108,782)
Cash flows (utilised by) / from operating activities	(8,331,150)	22,249,990	(136,669)	579,100

* Portion of excess of fair value over purchase price of land plot acquired from entities under common control and revaluation of assets, included in cost of development object, which was sold in 2015 and recognised as cost of sales.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 97.

	2015 '000 RUB	2014 '000 RUB	2015 '000 USD	2014 '000 USD
INVESTING ACTIVITIES				
Proceeds from disposal of non-current assets	234,620	308,160	3,849	8,020
Interest received	2,545,850	895,211	41,764	23,300
Acquisition of property, plant and equipment	(3,238,917)	(1,350,900)	(53,134)	(35,160)
Decrease in restricted cash	19,965	120,345	328	3,132
Acquisition of intangible assets	(66,169)	(9,486)	(1,085)	(247)
Loans given	(159,668)	(1,742,354)	(2,619)	(45,348)
Loans repaid	2,276,907	7,148	37,352	186
Disposal of subsidiaries	5,000,000	(81,409)	82,024	(2,119)
(Acquisition) / disposal of other investments	(24,427)	209	(401)	5
Cash flows from / (utilised) by investing activities	6,588,161	(1,853,076)	108,078	(48,231)
FINANCING ACTIVITIES				
Proceeds from borrowings	25,739,973	48,805,044	422,258	1,270,247
Proceeds from bonds	450,000	-	7,382	-
Repayment of borrowings	(18,182,079)	(39,307,580)	(298,273)	(1,023,057)
Repayment of bonds	(2,317,776)	(6,326,052)	(38,023)	(164,648)
Payment of finance lease liabilities	(56,623)	(75,656)	(929)	(1,969)
Payment of outstanding balance for own shares	(847,523)	(176,174)	(13,904)	(4,585)
Dividends paid	(8,035,870)	(4,084,084)	(131,827)	(106,296)
Cash flows utilised by financing activities	(3,249,898)	(1,164,502)	(53,316)	(30,308)
Net (decrease) / increase in cash and cash equivalents	(4,992,887)	19,232,412	(81,907)	500,561
Cash and cash equivalents at the beginning of the year	25,277,805	5,899,479	449,316	180,251
Effect of exchange rate fluctuations on cash and cash equivalents	149,082	145,914	(87,041)	(231,496)
Cash and cash equivalents at the end of the year (note 19)	20,434,000	25,277,805	280,368	449,316

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 97.

’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	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 from 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	34,577	(751,255)	26,408,386	16,643,644	593,709	22,914,203	65,843,264	(15,355)	65,827,909

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 97.

’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 2015	34,577	(751,255)	26,408,386	16,643,644	593,709	22,914,203	65,843,264	(15,355)	65,827,909
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	10,648,717	10,648,717	(3,006)	10,645,711
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	143,081	-	143,081	-	143,081
Total comprehensive income for the year	-	-	-	-	143,081	10,648,717	10,791,798	(3,006)	10,788,792
Transactions with owners recorded directly in equity									
Acquisition of subsidiaries	-	-	-	-	-	-	-	(13,127)	(13,127)
Excess of book values of net assets acquired from entities under common control over consideration paid	-	-	-	61,231	-	-	61,231	-	61,231
Excess of consideration paid over non-controlling interest acquired	-	-	-	(1,970)	-	-	(1,970)	(1,201)	(3,171)
Treasury shares acquired	-	(694,315)	-	-	-	-	(694,315)	-	(694,315)
Treasury shares sold	-	62,609	-	-	-	-	62,609	-	62,609
Dividends to shareholders	-	-	-	-	-	(8,035,870)	(8,035,870)	-	(8,035,870)
Balance at 31 December 2015	34,577	(1,382,961)	26,408,386	16,702,905	736,790	25,527,050	68,026,747	(32,689)	67,994,058

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 97.

’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	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	1,241	(19,553)	959,987	639,905	(1,125,883)	711,024	1,166,721	3,378	1,170,099

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 97.

’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 2015	1,241	(19,553)	959,987	639,905	(1,125,883)	711,024	1,166,721	3,378	1,170,099
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	174,690	174,690	(49)	174,641
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	(270,362)	-	(270,362)	-	(270,362)
Total comprehensive (loss) / income for the year	-	-	-	-	(270,362)	174,690	(95,672)	(49)	(95,721)
Transactions with owners recorded directly in equity									
Acquisition of subsidiaries	-	-	-	-	-	-	-	(215)	(215)
Excess of book values of net assets acquired from entities under common control over consideration paid	-	-	-	1,004	-	-	1,004	-	1,004
Excess of consideration paid over non-controlling interest acquired	-	-	-	(32)	-	-	(32)	(20)	(52)
Treasury shares acquired	-	(11,390)	-	-	-	-	(11,390)	-	(11,390)
Treasury shares sold	-	1,027	-	-	-	-	1,027	-	1,027
Dividends to shareholders	-	-	-	-	-	(131,827)	(131,827)	-	(131,827)
Balance at 31 December 2015	1,241	(29,916)	959,987	640,877	(1,396,245)	753,887	929,831	3,094	932,925

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 97.

Notes to the Consolidated Financial Statements……………………………………………..Page

1 Background

(a) Organisation and operations

PJSC 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, Yekaterinburg and Moscow, prefabricated panel construction in Saint Petersburg, Moscow 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 presents the 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.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

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 acquire; 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 IFRS 1. 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 consolidated 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 consolidated 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 benefit s 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 consolidated 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 then 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 consolidated 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.

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.

(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 consolidated 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 rights 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 rights 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 consolidated 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 2015, 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 2018. 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.
- IFRS 16 replaces the existing lease accounting guidance in IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

  Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

  The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.
- 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 other assets and revenue, interest-bearing loans, borrowings, and corporate assets, liabilities and expenses.

In 2015 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 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 0.39% of total net asset of the Group (31 December 2014: 1.32%) and EBITDA equals to 2.18% of EBITDA of the Group (31 December 2014: 2.39%). 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. The impact of the crisis on business environment is disclosed in note 1 (b).

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 1,129,560 thousand / USD 18,530 thousand (31 December 2014: RUB 1,850,933 thousand / USD 48,174 thousand) of the Group's total revenues.

Revenue from the next four significant customers of the Group amounts approximately to RUB 2,748,109 thousand / USD 45,082 thousand (31 December 2014: RUB 1,873,034 thousand / USD 48,749 thousand).

(i) Operating segments

For the year ended 31 December 2015 ’000 RUB	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Revenue from external customers	15,705,410	5,000,737	787,364	1,249,364	61,022,633	240,388	84,005,896
Inter-segment revenue	536,848	27,927,115	119,900	177,419	187,059	-	28,948,341
Total segment revenue	16,242,258	32,927,852	907,264	1,426,783	61,209,692	240,388	112,954,237
Segment result	1,675,983	1,987,010	10,251	249,174	13,561,266	-	17,483,684
Depreciation/amortisation	1,848,207	689,458	491	176,093	67,218	216,758	2,998,225
Capital expenditure	595,391	507,390	216	42,888	612,432	1,393,502	3,151,819

For the year ended 31 December 2014 ’000 RUB	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Revenue from external customers	19,945,520	4,372,988	2,188,040	1,377,497	60,824,763	1,071,132	89,779,940
Inter-segment revenue	1,152,199	21,187,352	155,058	173,899	160,270	-	22,828,778
Total segment revenue	21,097,719	25,560,340	2,343,098	1,551,396	60,985,033	1,071,132	112,608,718
Segment result	2,719,475	1,431,827	183,148	302,843	12,118,229	-	16,755,522
Depreciation/amortisation	2,525,373	656,487	804	231,609	64,891	198,892	3,678,056
Capital expenditure	623,114	593,581	237	135,616	87,605	577,145	2,017,298

For the year ended 31 December 2015 ’000 USD	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Revenue from external customers	257,644	82,036	12,917	20,496	1,001,062	3,941	1,378,096
Inter-segment revenue	8,807	458,138	1,967	2,911	3,069	-	474,892
Total segment revenue	266,451	540,174	14,884	23,407	1,004,131	3,941	1,852,988
Segment result	27,494	32,596	168	4,088	222,470	-	286,816
Depreciation/amortisation	30,319	11,310	8	2,889	1,103	3,556	49,185
Capital expenditure	9,767	8,324	4	704	10,047	22,858	51,704

For the year ended 31 December 2014 ’000 USD	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Revenue from external customers	519,121	113,816	56,948	35,852	1,583,084	27,879	2,336,700
Inter-segment revenue	29,988	551,442	4,036	4,526	4,171	-	594,163
Total segment revenue	549,109	665,258	60,984	40,378	1,587,255	27,879	2,930,863
Segment result	70,780	37,266	4,767	7,882	315,401	-	436,096
Depreciation/amortisation	65,728	17,086	21	6,028	1,689	5,177	95,729
Capital expenditure	16,218	15,449	6	3,530	2,280	15,022	52,505

As at 31 December 2015 **’000 RUB**	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Segment assets, excluding net financial position*	23,999,319	13,901,323	277,921	1,373,425	166,038,095	-	205,590,083
Segment liabilities, excluding net financial position*	7,940,662	13,723,125	110,144	281,425	93,007,710	-	115,063,066
Net financial position*	7,895,746	(6,854,449)	(161,500)	6,264	28,321,301	3,811,053	33,018,415

As at 31 December 2014 **’000 RUB**	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Segment assets, excluding net financial position*	26,849,194	15,563,682	1,510,262	1,594,429	154,490,886	-	200,008,453
Segment liabilities, excluding net financial position*	9,021,127	18,058,584	1,269,706	360,732	101,269,068	-	129,979,217
Net financial position*	10,872,026	(8,931,424)	(302,000)	113,573	12,838,787	12,776,069	27,367,031

* 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 2015 **’000 USD**	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Segment assets, excluding net financial position*	329,287	190,736	3,813	18,844	2,278,155	-	2,820,835
Segment liabilities, excluding net financial position*	108,951	188,291	1,511	3,861	1,276,129	-	1,578,743
Net financial position*	108,335	(94,047)	(2,216)	86	388,587	52,291	453,036

As at 31 December 2014 **’000 USD**	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Segment assets, excluding net financial position*	477,248	276,646	26,845	28,341	2,746,095	-	3,555,175
Segment liabilities, excluding net financial position*	160,352	320,994	22,569	6,412	1,800,070	-	2,310,397
Net financial position*	193,253	(158,757)	(5,368)	2,019	228,210	227,095	486,452

* 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, assets and liabilities and other material items

Revenue	**’000 RUB**		**’000 USD**	
	2015	**2014**	**2015**	**2014**
Total revenue for reportable segments	112,954,237	112,608,718	1,852,988	2,930,863
Other revenue	373,336	367,734	6,125	9,571
Transportation revenue	2,451,119	2,199,503	40,210	57,246
Elimination of intersegment revenue	(28,948,341)	(22,828,778)	(474,892)	(594,163)
Consolidated revenue	86,830,351	92,347,177	1,424,431	2,403,517

Profit for the year	**’000 RUB**		**’000 USD**	
	2015	**2014**	**2015**	**2014**
Total segment result	17,483,684	16,755,522	286,816	436,096
Other result	(1,001,946)	3,216,490	(16,437)	83,715
Unallocated expenses and income, net	(2,719,233)	(2,480,106)	(44,608)	(64,549)
Finance income	2,634,454	1,019,675	43,218	26,539
Finance costs	(2,434,465)	(7,051,117)	(39,937)	(183,519)
Income tax expense	(3,316,783)	(2,258,394)	(54,411)	(58,780)
Profit for the year	10,645,711	9,202,070	174,641	239,502

Assets	**’000 RUB**		**’000 USD**	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
Segment assets, excluding net financial position	205,590,083	200,008,453	2,820,835	3,555,175
Elimination of intersegment assets	(14,089,025)	(18,624,349)	(193,308)	(331,050)
Unallocated assets	12,880,635	17,617,545	176,731	313,154
Total assets	204,381,693	199,001,649	2,804,258	3,537,279

Liabilities	**’000 RUB**		**’000 USD**	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
Segment liabilities, excluding net financial position	115,063,066	129,979,217	1,578,743	2,310,397
Elimination of intersegment liabilities	(14,252,807)	(26,740,066)	(195,556)	(475,308)
Unallocated liabilities	2,558,961	2,567,558	35,110	45,639
Consolidated loans and borrowings	33,018,415	27,367,031	453,036	486,452
Total liabilities	136,387,635	133,173,740	1,871,333	2,367,180

Other material items	**’000 RUB**		**’000 USD**	
	2015	**2014**	**2015**	**2014**
Capital expenditure	3,151,819	2,017,298	51,704	52,505
Elimination of intersegment purchases	(12,249)	(339,861)	(201)	(8,846)
Consolidated capital expenditure	3,139,570	1,677,437	51,503	43,659

6 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

During the year ended 31 December 2014 and the year ended 31 December 2015 the Group has not acquired any subsidiaries.

(b) Disposal of subsidiaries

In December 2014 the Group sold 100.00% shares of LLC “LSR.Cement-NW” (since 2015 known as LLC “Peterburgcement”), 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 representated 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

	2015 '000 RUB	2014 '000 RUB	2015 '000 USD	2014 '000 USD
Wages and salaries	3,806,328	3,405,586	62,442	88,637
Services	1,006,200	1,005,446	16,506	26,170
Materials	138,854	134,027	2,278	3,488
Depreciation and amortisation	164,575	283,584	2,699	7,381
Taxes other than profit tax	379,104	394,612	6,219	10,271
Social expenditure	496,302	582,179	8,142	15,153
Insurance	89,486	43,470	1,468	1,131
Change in allowance recognised for doubtful debts	259,347	433,098	4,255	11,272
Overhead expenses on finished projects	193,345	144,393	3,172	3,758
Other administrative expenses	489,927	344,283	8,038	8,961
	7,023,468	6,770,678	115,219	176,222

8 Other income and expenses

	2015 '000 RUB	2014 '000 RUB	2015 '000 USD	2014 '000 USD
Other income:				
Gain on disposal of property, plant and equipment	21,350	-	350	-
Gain on disposal of subsidiaries	-	2,766,189	-	71,996
Gain on disposal of other assets	-	409,093	-	10,647
Other income	102,000	-	1,673	-
Total other income	123,350	3,175,282	2,023	82,643
Other expenses:				
Loss on disposal of property, plant and equipment	-	(6,568)	-	(171)
Other expenses	(245,278)	(98,187)	(4,023)	(2,555)
Total other expenses	(245,278)	(104,755)	(4,023)	(2,726)
Net other (expenses) / income	(121,928)	3,070,527	(2,000)	79,917

9 Total personnel costs

	2015 '000 RUB	2014 '000 RUB	2015 '000 USD	2014 '000 USD
Wages and salaries, contributions to State pension fund, provision for unused vacation:				
Cost of sales	8,439,499	8,586,918	138,448	223,491
Administrative expenses	3,806,328	3,405,586	62,442	88,637
Distribution expenses	301,467	324,465	4,945	8,445
	12,547,294	12,316,969	205,835	320,573

10 Finance income and finance costs

	2015 '000 RUB	2014 '000 RUB	2015 '000 USD	2014 '000 USD
Recognised in profit or loss				
Finance income				
Interest income	2,545,850	895,211	41,764	23,300
Foreign exchange gain	75,043	111,284	1,231	2,896
Unwind of discount	12,612	11,828	207	308
Income from sale of available-for-sale investments	-	1,352	-	35
Other finance income	949	-	16	-
	2,634,454	1,019,675	43,218	26,539
Finance costs				
Interest expense	(2,112,496)	(3,029,409)	(34,655)	(78,846)
Foreign exchange loss	(225,562)	(3,391,761)	(3,700)	(88,277)
Unwind of discount	(90,741)	(616,403)	(1,489)	(16,043)
Repurchase of own bonds	(5,189)	(10,801)	(85)	(281)
Impairment of financial assets	(477)	(1,981)	(8)	(52)
Other finance costs	-	(762)	-	(20)
	(2,434,465)	(7,051,117)	(39,937)	(183,519)
Net finance income / (costs) recognised in profit or loss	199,989	(6,031,442)	3,281	(156,980)
Recognised in other comprehensive income				
Finance income / (costs)				
Foreign currency translation differences for foreign operations	143,081	512,547	(270,362)	(802,640)
Finance income / (costs) recognised in other comprehensive income, net of tax	143,081	512,547	(270,362)	(802,640)
Attributable to:				
Equity holders of the Company	143,081	512,547	(270,362)	(802,640)

In addition to borrowing costs recognised as an expense during the year ended 31 December 2015, interest in the amount of RUB 1,032,907 thousand / USD 16,945 thousand (31 December 2014: RUB 472,498 thousand / USD 12,298 thousand) has been capitalized using a capitalization rate of 11.38% (31 December 2014: 9.97%) as part of the objects under construction.

In addition to unwind of discount for long-term payables for land plots and lease rights, recognized as finance costs during the year ended 31 December 2015, unwind of discount in the amount of RUB 1,794,292 thousand / USD 29,435 thousand (31 December 2014: “nil”) has been capitalized as part of the objects under construction.

11 Income tax expense

	2015 ’000 RUB	2014 ’000 RUB	2015 ’000 USD	2014 ’000 USD
Current tax expense				
Current year	3,971,735	2,270,361	65,155	59,092
Deferred tax expense				
Origination and reversal of temporary differences	(654,952)	(11,967)	(10,744)	(312)
Income tax expense	3,316,783	2,258,394	54,411	58,780

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20.00% (2014: 20.00%).

Reconciliation of effective tax rate:

	2015 ’000 RUB	%	2014 ’000 RUB	%	2015 ’000 USD	%	2014 ’000 USD	%
Profit for the year	10,645,711		9,202,070		174,641		239,502	
Income tax expense	3,316,783		2,258,394		54,411		58,780	
Profit before income tax	13,962,494		11,460,464		229,052		298,282	
Income tax at applicable tax rate	2,792,499	(20)	2,292,092	(20)	45,810	(20)	59,656	(20)
Non-taxable income	(119,021)	1	(507,251)	4	(1,953)	1	(13,202)	4
Non-deductible expenses	949,433	(7)	471,183	(4)	15,576	(7)	12,264	(4)
Current year (reverses of losses) losses for which no deferred tax asset was recognised	38,058	-	2,370	-	624	-	62	-
Tax effect on sale of shares	(342,580)	2	-	-	(5,620)	2	-	-
Tax incentives	(1,606)	-	-	-	(26)	-	-	-
Total income tax expenses for the year	3,316,783	(24)	2,258,394	(20)	54,411	(24)	58,780	(20)

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:

	2015	2014	2015	2014
	'000 RUB	'000 RUB	'000 USD	'000 USD
Contract revenue	4,767,750	4,121,342	78,214	107,266
Contract costs	(3,885,083)	(3,342,462)	(63,734)	(86,994)
Gross profit	882,667	778,880	14,480	20,272

13 Property, plant and equipment

'000 RUB	Land and buildings	Machinery and equipment	Transpor-tation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
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
At 1 January 2015	20,132,981	18,494,662	3,565,630	763,560	1,005,210	43,962,043
Additions	1,894,614	385,950	362,879	82,929	413,198	3,139,570
Disposals	(76,236)	(213,004)	(137,037)	(37,057)	(52,381)	(515,715)
Reclassifications from/to inventories	812,401	-	-	-	(11,230)	801,171
Reclassifications from assets held for sale	303,543	216,335	317,984	1,874	7,162	846,898
Transfers and reclassifications	378,763	320,505	6,440	3,536	(709,244)	-
Effect of movements in exchange rates	(117,438)	(107,003)	(6,163)	(1,681)	11,782	(220,503)
At 31 December 2015	23,328,628	19,097,445	4,109,733	813,161	664,497	48,013,464
Depreciation and impairment losses						
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)
At 1 January 2015	(3,944,524)	(9,043,254)	(2,301,522)	(582,340)	-	(15,871,640)
Depreciation charge	(731,485)	(1,741,135)	(369,854)	(94,515)	-	(2,936,989)
Disposals	47,097	180,300	121,609	33,957	-	382,963
Reclassifications from assets held for sale	(190,539)	(173,858)	(271,977)	(1,471)	-	(637,845)
Transfers and reclassifications	(744)	(4,760)	(170)	5,674	-	-
Effect of movements in exchange rates	27,494	38,604	3,363	1,088	-	70,549
At 31 December 2015	(4,792,701)	(10,744,103)	(2,818,551)	(637,607)	-	(18,992,962)
Net book value						
At 1 January 2014	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
At 31 December 2015	18,535,927	8,353,342	1,291,182	175,554	664,497	29,020,502

'000 USD	**Land and buildings**	**Machinery and equipment**	**Transpor-tation equipment**	**Other fixed assets**	**Assets under construction**	**Total**
Cost/Deemed cost						
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	357,866	328,745	63,380	13,572	17,868	781,431
At 1 January 2015	357,866	328,745	63,380	13,572	17,868	781,431
Additions	31,081	6,331	5,953	1,360	6,778	51,503
Disposals	(1,251)	(3,494)	(2,248)	(608)	(859)	(8,460)
Reclassifications from/ to inventories	13,327	-	-	-	(184)	13,143
Reclassifications from assets held for sale	4,980	3,549	5,216	31	117	13,893
Transfers and reclassifications	6,214	5,258	106	58	(11,636)	-
Effect of movements in exchange rates	(92,132)	(78,359)	(16,019)	(3,256)	(2,964)	(192,730)
At 31 December 2015	320,085	262,030	56,388	11,157	9,120	658,780
Depreciation and impairment losses						
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	(70,114)	(160,745)	(40,910)	(10,351)	-	(282,120)
At 1 January 2015	(70,114)	(160,745)	(40,910)	(10,351)	-	(282,120)
Depreciation charge	(12,000)	(28,563)	(6,067)	(1,550)	-	(48,180)
Disposals	773	2,958	1,995	557	-	6,283
Reclassifications from assets held for sale	(3,126)	(2,852)	(4,462)	(24)	-	(10,464)
Transfers and reclassifications	(12)	(78)	(3)	93	-	-
Effect of movements in exchange rates	18,720	41,864	10,775	2,527	-	73,886
At 31 December 2015	(65,759)	(147,416)	(38,672)	(8,748)	-	(260,595)
Net book value						
At 1 January 2014	701,337	432,771	47,342	7,402	118,105	1,306,957
At 31 December 2014	287,752	168,000	22,470	3,221	17,868	499,311
At 31 December 2015	254,326	114,614	17,716	2,409	9,120	398,185

Depreciation expense of RUB 2,706,433 thousand / USD 44,398 thousand has been charged in cost of goods sold (31 December 2014: RUB 3,260,167 thousand / USD 84,852 thousand), RUB 69,460 thousand / USD 1,139 thousand in distribution expenses (31 December 2014: RUB 78,177 thousand / USD 2,035 thousand) and RUB 160,715 thousand / USD 2,636 thousand in administrative expenses (31 December 2014: RUB 264,046 thousand / USD 6,872 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 8,640,259 thousand / USD 118,550 thousand are subject to a registered debenture to secure bank loans (31 December 2014: RUB 6,278,354 thousand / USD 111,599 thousand) (refer to note 23).

Properties with a carrying amount of RUB 274,343 thousand / USD 3,764 thousand are pledged to secure payments under the purchase contracts with payments by instalments (31 December 2014: RUB 115,880 thousand / USD 2,060 thousand).

(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 2015 the net book value of leased plant and machinery was RUB 157,212 thousand / USD 2,157 thousand (31 December 2014: RUB 219,577 thousand / USD 3,903 thousand).

14 Intangible assets

'000 RUB	**Goodwill**	**Other**	**Total**
Cost			
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	3,728,068	1,371,509	5,099,577
Balance at 1 January 2015	3,728,068	1,371,509	5,099,577
Additions	-	66,169	66,169
Disposals	-	(7,953)	(7,953)
Effects of movement in exchange rates	-	(377)	(377)
Balance at 31 December 2015	3,728,068	1,429,348	5,157,416
Amortisation and impairment losses			
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	(281,496)	(441,607)	(723,103)
Balance at 1 January 2015	(281,496)	(441,607)	(723,103)
Amortisation charge	-	(61,609)	(61,609)
Disposals	-	621	621
Effects of movement in exchange rates	-	170	170
Balance at 31 December 2015	(281,496)	(502,425)	(783,921)
Net book value			
At 1 January 2014	4,068,057	1,207,300	5,275,357
At 31 December 2014	3,446,572	929,902	4,376,474
At 31 December 2015	3,446,572	926,923	4,373,495

’000 USD	Goodwill	Other	Total
Cost			
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	66,267	24,379	90,646
Balance at 1 January 2015	66,267	24,379	90,646
Additions	-	1,085	1,085
Disposals	-	(130)	(130)
Effect of movements in exchange rates	(15,115)	(5,722)	(20,837)
Balance at 31 December 2015	51,152	19,612	70,764
Amortisation and impairment losses			
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	(5,004)	(7,850)	(12,854)
Balance at 1 January 2015	(5,004)	(7,850)	(12,854)
Amortisation charge	-	(1,011)	(1,011)
Disposals	-	10	10
Effect of movements in exchange rates	1,142	1,958	3,100
Balance at 31 December 2015	(3,862)	(6,893)	(10,755)
Net book value			
At 1 January 2014	124,294	36,888	161,182
At 31 December 2014	61,263	16,529	77,792
At 31 December 2015	47,290	12,719	60,009

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:

		Allocated goodwill		Impairment losses		Net book value at 31 December 2015	
Entity / Business Unit	**Operating Segment**	**’000 RUB**	**’000 USD**	**’000 RUB**	**’000 USD**	**’000 RUB**	**’000 USD**
PJSC “Aeroc Obuchow”(Ukraine)	LSR.Building Materials	818,546	11,231	(164,594)	(2,258)	653,952	8,973
LSR Europe GmbH	LSR.Real Estate	50,093	687	-	-	50,093	687
BU LSR. Reinforced Concrete. NW	LSR.Building Materials	17,354	238	-	-	17,354	238
JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG”	LSR.Real Estate	22,451	308	-	-	22,451	308
BU Other	Other	128,269	1,760	(116,902)	(1,604)	11,367	156
BU LSR.Construction. Ural	LSR.Construction	736,429	10,104	-	-	736,429	10,104
BU LSR.Real Estate.Ural	LSR.Real Estate	1,276,844	17,519	-	-	1,276,844	17,519
BU LSR.Basic Materials. NW	LSR.Building Materials	155,317	2,131	-	-	155,317	2,131
OOO “LSR.Stroitelstvo-M”	LSR.Construction	11,250	154	-	-	11,250	154
LSR.Wall Materials	LSR.Building Materials	511,515	7,020	-	-	511,515	7,020
		3,728,068	51,152	(281,496)	(3,862)	3,446,572	47,290

Impairment review was conducted by the Group as of 31 December 2015. The following key assumptions were used in determining the recoverable amounts of the respective companies as of 31 December 2015 and have not significantly changed compared to those that were used as of 31 December 2014.

Building Materials segments:

- Cash flows were projected based on budgeted operating results for 2016 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 2016 and three years business plans;
- Plan for 2016 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.

The estimates made for goodwill impairment test are sensitive in the following area:

- A 10% decrease in undiscounted net cash inflows would have caused the impairment loss in respect of the following entities/BU:

Entity / Business unit	**'000 RUB**	**'000 USD**
BU LSR.Construction. Ural	157,174	2,157

- An increase of one percentage point in the discount rate used would have caused the impairment loss in respect of the following entity:

Entity / Business unit	**'000 RUB**	**'000 USD**
BU LSR.Construction. Ural	49,091	674

15 Other investments

	31 December 2015 '000 RUB	**31 December 2014 '000 RUB**	**31 December 2015 '000 USD**	**31 December 2014 '000 USD**
Non-current				
Available-for-sale investments:				
Stated at cost	27,428	1,502	377	27
Originated loans	-	2,224	-	39
	27,428	3,726	377	66
Current				
Held to maturity investments	-	550	-	10
Originated loans	85,170	2,521,573	1,168	44,822
	85,170	2,522,123	1,168	44,832

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 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Property, plant and equipment	(261,903)	(286,270)	1,073,489	1,177,600	811,586	891,330
Intangible assets	(2,277)	(452)	78,674	89,270	76,397	88,818
Inventories	(8,991,336)	(8,030,614)	196,668	233,631	(8,794,668)	(7,796,983)
Trade and other receivables	(563,768)	(497,610)	547,523	651,828	(16,245)	154,218
Loans and borrowings	(26,473)	(20,849)	-	275	(26,473)	(20,574)
Trade and other payables	(149,283)	(186,938)	8,950,340	7,981,382	8,801,057	7,794,444
Tax loss carry-forwards	(1,316,705)	(889,477)	-	-	(1,316,705)	(889,477)
Tax (assets)/liabilities	(11,311,745)	(9,912,210)	10,846,694	10,133,986	(465,051)	221,776
Set off of tax	9,034,472	8,214,204	(9,034,472)	(8,214,204)	-	-
Net tax (assets)/liabilities	(2,277,273)	(1,698,006)	1,812,222	1,919,782	(465,051)	221,776

'000 USD	Assets		Liabilities		Net	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Property, plant and equipment	(3,595)	(5,088)	14,730	20,932	11,135	15,844
Intangible assets	(31)	(8)	1,079	1,587	1,048	1,579
Inventories	(123,367)	(142,745)	2,698	4,153	(120,669)	(138,592)
Trade and other receivables	(7,735)	(8,845)	7,512	11,586	(223)	2,741
Loans and borrowings	(363)	(371)	-	5	(363)	(366)
Trade and other payables	(2,048)	(3,323)	122,805	141,870	120,757	138,547
Tax loss carry-forwards	(18,066)	(15,811)	-	-	(18,066)	(15,811)
Tax (assets)/liabilities	(155,205)	(176,191)	148,824	180,133	(6,381)	3,942
Set off of tax	123,959	146,008	(123,959)	(146,008)	-	-
Net tax (assets)/liabilities	(31,246)	(30,183)	24,865	34,125	(6,381)	3,942

Deferred tax assets on tax losses carry-forwards recognised as at 31 December 2015 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 2016-2025.

(b) Movement in temporary differences during the year

'000 RUB	1 January 2015	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2015
Property, plant and equipment	891,330	(74,313)	(2,062)	(3,369)	811,586
Intangible assets	88,818	(12,421)	-	-	76,397
Inventories	(7,796,983)	(997,685)	-	-	(8,794,668)
Trade and other receivables	154,218	(152,199)	(18,264)	-	(16,245)
Loans and borrowings	(20,574)	(5,899)	-	-	(26,473)
Trade and other payables	7,794,444	1,006,613	-	-	8,801,057
Tax loss carry-forwards	(889,477)	(419,048)	(8,180)	-	(1,316,705)
	221,776	(654,952)	(28,506)	(3,369)	(465,051)

'000 RUB	1 January 2014	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2014
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)
	(1,546,206)	(11,967)	1,783,176	(3,227)	221,776

'000 USD	1 January 2015	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2015
Property, plant and equipment	15,844	(1,219)	(34)	(3,456)	11,135
Intangible assets	1,579	(204)	-	(327)	1,048
Inventories	(138,592)	(16,367)	-	34,290	(120,669)
Trade and other receivables	2,741	(2,497)	(300)	(167)	(223)
Loans and borrowings	(366)	(97)	-	100	(363)
Trade and other payables	138,547	16,513	-	(34,303)	120,757
Tax loss carry-forwards	(15,811)	(6,873)	(134)	4,752	(18,066)
	3,942	(10,744)	(468)	889	(6,381)

'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)
	(47,243)	(312)	46,410	5,087	3,942

(c) Unrecognised deferred tax assets

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

	31 December 2015 '000 RUB	31 December 2014 '000 RUB	31 December 2015 '000 USD	31 December 2014 '000 USD
Tax losses	112,883	74,825	1,549	1,330
Deductible temporary differences on intercompany sales of investments	84,008	84,008	1,153	1,493
Total deferred tax assets have not been recognised	196,891	158,833	2,702	2,823

The tax losses expire in 2016-2025. 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 2015 ’000 RUB	31 December 2014 ’000 RUB	31 December 2015 ’000 USD	31 December 2014 ’000 USD
Work in progress, construction of buildings	83,938,832	71,992,893	1,151,697	1,279,681
Lease rights	22,129,246	19,852,568	303,628	352,882
Finished goods, construction of buildings	8,207,272	6,460,027	112,609	114,828
Finished goods and goods for resale	3,125,165	3,214,002	42,879	57,130
Raw materials and consumables	2,332,725	2,389,125	32,006	42,467
Work in progress	1,536,901	1,350,860	21,087	24,011
	121,270,141	105,259,475	1,663,906	1,870,999

Inventories with a carrying amount of RUB 1,381,414 thousand / USD 18,954 thousand are subject to a registered debenture to secure bank loans (31 December 2014: RUB 1,381,414 thousand / USD 24,555 thousand) (refer to note 23).

Inventories with a carrying amount of RUB 3,074,929 thousand / USD 42,190 thousand are pledged to secure payments under the purchase contracts with payment by instalments (31 December 2014: RUB 3,087,195 thousand / USD 54,875 thousand).

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

18 Trade and other receivables

	31 December 2015 '000 RUB	31 December 2014 '000 RUB	31 December 2015 '000 USD	31 December 2014 '000 USD
Non-current				
Notes receivable on disposals of subsidiaries	273,521	240,703	3,753	4,279
Accounts receivable - trade	43,204	12,686	593	225
Other receivables	75	75	1	1
	316,800	253,464	4,347	4,505
Current				
Prepayments to suppliers	18,421,489	17,860,543	252,755	317,473
Accounts receivable – trade	2,158,415	2,366,623	29,615	42,067
Receivables from share participation agreements	1,897,425	1,589,862	26,033	28,260
Amounts due from customers for contract work	1,393,434	245,194	19,119	4,358
VAT receivable	522,825	288,611	7,174	5,130
Deferred expenses	103,762	104,872	1,424	1,864
Notes receivable	80,437	174,182	1,104	3,096
Current receivables on disposals of subsidiaries	19,924	5,317,894	273	94,526
Employee receivables	2,510	2,648	34	47
Other receivables	2,780,781	3,599,325	38,154	63,979
	27,381,002	31,549,754	375,685	560,800
Provision for doubtful debtors	(1,046,670)	(810,067)	(14,361)	(14,399)
	26,334,332	30,739,687	361,324	546,401

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

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.

Decrease in current receivables on disposals of subsidiaries is the result of cash receipt in amount of RUB 5,000,000 thousand / USD 88,876 thousand for sale of LLC "LSR. Cement-NW" made in December 2014.

19 Cash and cash equivalents

	31 December 2015 ’000 RUB	31 December 2014 ’000 RUB	31 December 2015 ’000 USD	31 December 2014 ’000 USD
Petty cash	2,275	3,293	31	59
Current accounts	6,531,370	3,824,695	89,615	67,984
Call deposits	13,900,355	21,449,817	190,722	381,273
Cash and cash equivalents in the consolidated statement of financial position	20,434,000	25,277,805	280,368	449,316
Cash and cash equivalents in the consolidated statement of cash flows	20,434,000	25,277,805	280,368	449,316

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

Cash deposits of RUB 9,500,000 thousand / USD 130,346 thousand, ending in 2017 according to the contract terms, are classified as call deposits as the Group has right to withdraw it at any time without any penalties or significant change in value. The Group’s ability to use these deposits is not restricted by the covenant disclosed in note 23.

20 Restricted cash

	31 December 2015 ’000 RUB	31 December 2014 ’000 RUB	31 December 2015 ’000 USD	31 December 2014 ’000 USD
Non-current				
Restricted cash	-	26,374	-	469
Current				
Restricted cash	22,675	16,266	311	289
	22,675	42,640	311	758

There is no restricted cash (non-current) 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 as at 31 December 2015 (31 December 2014: RUB 26,374 thousand / USD 469 thousand).

Restricted cash (current) as at 31 December 2015 includes the amount of RUB 1,275 thousand / USD 17 thousand restricted for use by the Group according to the requirements of German legislation that regulates operations between parties (31 December 2014: RUB 16,266 thousand / USD 289 thousand). During the year 2015 the note was purchased on RUB 21,400 thousand / USD 294 thousand for obtaining the independent bank guarantee on future assets sale in OOO “Zagorodnaya, 9”.

21 Equity

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	31 December 2015	**31 December 2014**
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the year	102,030,215	103,030,215
On issue at end of the year, fully paid	100,974,172	102,030,215

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 2,056,043 (31 December 2014: 1,000,000) 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 2015 the Company had retained earnings, including the profit for the current period, of RUB 16,938,236 thousand / USD 232,404 thousand (as at 31 December 2014: RUB 14,288,894 thousand / USD 253,987 thousand).

In April 2015 the Group distributed dividends in the amount of RUB 8,035,870 thousand / USD 131,827 thousand at value RUB 78.00 / USD 1.28 per share for financial year ended 31 December 2014.

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.

	2015	**2014**
Issued shares at 1 January	102,030,215	103,030,215
Effect of own shares held	(228,257)	-
Weighted average number of shares for the year ended 31 December	101,801,958	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 2015	31 December 2014	31 December 2015	31 December 2014
	'000 RUB	'000 RUB	'000 USD	'000 USD
Non-current				
Secured bank loans	10,357,213	9,598,835	142,108	170,620
Unsecured bank loans	11,442,123	7,950,000	156,994	141,312
Unsecured bond issues	-	1,002,000	-	17,811
Finance lease liability	104,992	162,131	1,441	2,882
	21,904,328	18,712,966	300,543	332,625
Current				
Secured bank loans	4,162,102	2,088,846	57,107	37,129
Unsecured bank loans	5,734,950	4,500,000	78,687	79,988
Unsecured other loans	13,810	1,923	189	34
Unsecured bond issues	1,154,281	2,014,868	15,838	35,815
Finance lease liability	48,944	48,428	672	861
	11,114,087	8,654,065	152,493	153,827

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2015		31 December 2014	
'000 RUB	Cur-rency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured facility	RUB	2.00% - 12.18%	2016 - 2021	14,519,315	14,519,315	11,687,681	11,687,681
Unsecured facility	RUB	0.00% - 14.00%	2016 - 2017	18,345,164	18,345,164	15,468,791	15,468,791
Finance lease liability		12.84% - 23.00%	2016 - 2019	153,936	153,936	210,559	210,559
				33,018,415	33,018,415	27,367,031	27,367,031

’000 USD	Cur-rency	Nominal interest rate	Year of maturity	31 December 2015 Face value	31 December 2015 Carrying amount	31 December 2014 Face value	31 December 2014 Carrying amount
Secured facility	RUB	2.00% - 12.18%	2016 - 2021	199,215	199,215	207,749	207,749
Unsecured facility	RUB	0.00% - 14.00%	2016 - 2017	251,708	251,708	274,960	274,960
Finance lease liability		12.84% - 23.00%	2016 - 2019	2,113	2,113	3,743	3,743
				453,036	453,036	486,452	486,452

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 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.

Credit agreements for non-current unsecured bank loans of RUB 8,500,000 thousand require the Group to keep the ratio of deposit placed in the bank-lender to loan principal at no less than one. Respective deposits are recorded as cash equivalents.

Finance lease liabilities are payable as follows:

’000 RUB	31 December 2015			31 December 2014		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	67,131	18,187	48,944	74,513	26,085	48,428
Between one and five years	120,010	15,018	104,992	195,482	33,351	162,131
	187,141	33,205	153,936	269,995	59,436	210,559

’000 USD	31 December 2015			31 December 2014		
	Payments	Interest	Principal	Payments	Interest	Principal
Less than one year	922	250	672	1,325	464	861
Between one and five years	1,647	206	1,441	3,475	593	2,882
	2,569	456	2,113	4,800	1,057	3,743

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUB 8,640,259 thousand / USD 118,550 thousand is pledged as collateral to secure bank loans (31 December 2014: RUB 6,278,354 thousand / USD 111,599 thousand) – refer to note 13(b).
- Inventories with a carrying amount of RUB 1,381,414 thousand / USD 18,954 thousand are pledged as collateral to secure bank loans. (31 December 2014: RUB 1,381,414 thousand / USD 24,555 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 2015:

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

24 Provisions

’000 RUB	**Site finishing**	**Environ-ment restoration**	**Warranty provision**	**Provision for unprofitable contracts**	**Litigation provision**	**Total**
Current						
Balance at 1 January 2015	1,636,400	315	10,115	2,635	46,628	1,696,093
Provisions made during the year	1,117,657	31,717	2,869	793	27,065	1,180,101
Provisions used during the year	(1,835,467)	(13,343)	(6,137)	(2,090)	(38,328)	(1,895,365)
Unused provisions	(74,150)	(315)	-	-	(14,874)	(89,339)
Exchange differences (+/-)	-	-	1,680	-	-	1,680
Balance at 31 December 2015	844,440	18,374	8,527	1,338	20,491	893,170
Non-current						
Balance at 1 January 2015	-	27,797	-	-	-	27,797
Provisions made during the year	-	40,043	-	-	-	40,043
Provisions used during the year	-	(4,602)	-	-	-	(4,602)
Unused provisions	-	(2,146)	-	-	-	(2,146)
Balance at 31 December 2015	-	61,092	-	-	-	61,092

'000 USD	**Site finishing**	**Environ-ment restoration**	**Warranty provision**	**Provision for unprofitable contracts**	**Litigation provision**	**Total**
Current						
Balance at 1 January 2015	29,085	6	180	47	829	30,147
Provisions made during the year	18,335	520	47	13	444	19,359
Provisions used during the year	(30,110)	(219)	(101)	(34)	(629)	(31,093)
Unused provisions	(1,216)	(5)	-	-	(244)	(1,465)
Exchange differences (+/-)	(4,507)	(50)	(9)	(8)	(119)	(4,693)
Balance at 31 December 2015	11,587	252	117	18	281	12,255
Non-current						
Balance at 1 January 2015	-	494	-	-	-	494
Provisions made during the year	-	657	-	-	-	657
Provisions used during the year	-	(75)	-	-	-	(75)
Unused provisions	-	(35)	-	-	-	(35)
Exchange differences (+/-)	-	(203)	-	-	-	(203)
Balance at 31 December 2015	-	838	-	-	-	838

(a) Site finishing

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 2015 '000 RUB	31 December 2014 '000 RUB	31 December 2015 '000 USD	31 December 2014 '000 USD
Non-current payables				
Accounts payable – trade	13,670,339	16,658,421	187,567	296,105
	13,670,339	16,658,421	187,567	296,105
Current payables				
Prepayments received for flats	66,447,355	67,931,368	911,703	1,207,489
Accounts payable trade	11,352,015	8,528,033	155,757	151,587
Advances from customers	3,440,674	2,470,836	47,208	43,920
Taxes and other payables to the budget	1,854,622	1,745,659	25,447	31,029
Employee-related liabilities	1,067,961	1,069,912	14,653	19,018
Accounts due to customers for contract work	859,059	1,450,012	11,787	25,774
Interest payable	107,987	125,082	1,482	2,223
Deferred income	39,131	48,692	537	866
Dividends payable	1,502	-	21	-
Notes payable	-	35,306	-	628
Other payables	1,091,340	1,359,250	14,974	24,161
	86,261,646	84,764,150	1,183,569	1,506,695

Prepayments received for flats include RUB 22,872,945 thousand / USD 313,832 thousand for flats, which are expected to be delivered after 12 months from the reporting date (31 December 2014: RUB 38,988,813 thousand / USD 693,031 thousand).

Trade payables include payables for land plots and lease rights to be repaid in instalments. Payables for land plots and lease rights 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 this 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 697,589 thousand / USD 9,571 thousand (31 December 2014: RUB 423,831 thousand / USD 7,534 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 2015 guarantees made to third parties were RUB 3,525,032 thousand / USD 48,366 thousand (31 December 2014: RUB 13,130,101 thousand / USD 233,389 thousand), including guarantees in amount of RUB 3,216,000 thousand / USD 44,126 thousand for LLC "LSR.Cement-NW" (since 2015 known as LLC "Peterburgcement"), which was disposed to third party in 2014.

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:

'000 RUB	**Carrying amount**	
	31 December 2015	**31 December 2014**
Available-for-sale financial assets	27,428	1,502
Loans and receivables	6,205,815	13,901,255
Held to maturity investments	-	550
Cash and cash equivalents	20,434,000	25,277,805
Restricted cash	22,675	42,640
	26,689,918	39,223,752

'000 USD	**Carrying, amount**	
	31 December 2015	**31 December 2014**
Available-for-sale financial assets	377	27
Loans and receivables	85,147	247,097
Held to maturity investments	-	10
Cash and cash equivalents	280,368	449,316
Restricted cash	311	758
	366,203	697,208

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

'000 RUB	**Carrying amount**	
	31 December 2015	**31 December 2014**
Domestic	1,840,839	2,080,901
Euro-zone countries	63,917	96,090
Other CIS countries	10,026	10,267
	1,914,782	2,187,258

'000 USD	**Carrying amount**	
	31 December 2015	**31 December 2014**
Domestic	25,257	36,988
Euro-zone countries	877	1,708
Other CIS countries	138	182
	26,272	38,878

The Group's most significant trade debtor, OOO "Potential", accounts for RUB 288,716 thousand / USD 3,961 thousand of the trade receivables carrying amount at 31 December 2015 (31 December 2014 OOO "SDM-Stroytech": RUB 111,223 thousand / USD 1,977 thousand).

The total amount of impaired trade receivables at the reporting date was RUB 286,837 thousand / USD 3,936 thousand (31 December 2014: RUB 192,051 thousand / USD 3,414 thousand).

The ageing of trade receivables at the reporting date was:

	Gross 31 December 2015	Impairment 31 December 2015	Gross 31 December 2014	Impairment 31 December 2014
	'000 RUB	**'000 RUB**	**'000 RUB**	**'000 RUB**
Not past due	1,000,118	-	1,110,982	-
Past due 0-30 days	474,743	(465)	582,225	(1,027)
Past due 31-180 days	311,575	(16,703)	405,360	(11,894)
Past due more than 180 days	415,183	(269,669)	280,742	(179,130)
	2,201,619	(286,837)	2,379,309	(192,051)

	Gross 31 December 2015	Impairment 31 December 2015	Gross 31 December 2014	Impairment 31 December 2014
	'000 USD	**'000 USD**	**'000 USD**	**'000 USD**
Not past due	13,722	-	19,748	-
Past due 0-30 days	6,514	(6)	10,349	(18)
Past due 31-180 days	4,275	(229)	7,205	(212)
Past due more than 180 days	5,697	(3,701)	4,990	(3,184)
	30,208	(3,936)	42,292	(3,414)

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

	2015	2014
	'000 RUB	**'000 RUB**
Balance at 1 January	(192,051)	(224,910)
Impairment loss / reversal	(94,786)	32,859
Balance at 31 December	(286,837)	(192,051)

	2015	2014
	'000 USD	**'000 USD**
Balance at 1 January	(3,414)	(6,872)
Impairment loss / reversal	(1,555)	855
Effect of movements in exchange rates	1,033	2,603
Balance at 31 December	(3,936)	(3,414)

The impairment loss at 31 December 2015 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:

	2015	**2014**
	'000 RUB	**'000 RUB**
Balance at 1 January	(618,016)	(262,023)
Impairment loss / reversal	(141,817)	(355,993)
Balance at 31 December	(759,833)	(618,016)

	2015	**2014**
	'000 USD	**'000 USD**
Balance at 1 January	(10,985)	(8,006)
Impairment loss / reversal	(2,326)	(9,265)
Effect of movements in exchange rates	2,886	6,286
Balance at 31 December	(10,425)	(10,985)

(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 2015 the Group's undrawn credit facilities amount is RUB 8,622,927 thousand / USD 118,312 thousand (31 December 2014: RUB 11,550,000 thousand / USD 205,303 thousand). Interest would be payable at the rate of 13.00% to 14.00%.

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 2015	**Average interest rate**					
'000 RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.00% - 12.18%	10.41%	4,162,102	9,897,696	459,517	14,519,315
Unsecured bank loans:						
RUB*	12.22% - 14.00%	13.26%	5,734,950	11,442,123	-	17,177,073
Unsecured other loans:						
RUB*	0.00% - 10.50%	3.19%	13,810	-	-	13,810
Unsecured bond issues:						
RUB*	0.10% - 10.15%	9.44%	1,154,281	-	-	1,154,281
Finance lease liabilities						
RUB*	12.84% - 14.14%	13.23%	47,783	104,008	-	151,791
Other*	21.99% - 23.00%	22.08%	1,161	984	-	2,145
Trade and other payables		-	12,552,844	13,670,339	-	26,223,183
Future interests**		-	3,207,471	2,189,355	23,207	5,420,033
Guarantees***		-	3,525,032	-	-	3,525,032
			30,399,434	37,304,505	482,724	68,186,663

*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 2015.

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

31 December 2014	**Average interest rate**					
'000 RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
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
			34,509,720	36,973,171	973,307	72,456,198

*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 2015	Average interest rate					
’000 USD	Contractual	Effective	Less than 1 year	1-5 years	Over 5 years	Total
Secured bank loans:						
RUB*	2.00% - 12.18%	10.41%	57,107	135,803	6,305	199,215
Unsecured bank loans:						
RUB*	12.22% - 14.00%	13.26%	78,687	156,994	-	235,681
Unsecured other loans:						
RUB*	0.00% - 10.50%	3.19%	189	-	-	189
Unsecured bond issues:						
RUB*	0.10% - 10.15%	9.44%	15,838	-	-	15,838
Finance lease liabilities						
RUB*	12.84% - 14.14%	13.23%	656	1,427	-	2,083
Other*	21.99% - 23.00%	22.08%	16	14	-	30
Trade and other payables		-	172,234	187,567	-	359,801
Future interests**		-	44,009	30,039	318	74,366
Guarantees***		-	48,366	-	-	48,366
			417,102	511,844	6,623	935,569

*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 2015.

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

31 December 2014	**Average interest rate**					
’000 USD	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
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
			613,415	657,202	17,300	1,287,917

* 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.

(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 2015 **'000 RUB**	**EUR-denominated**	**USD-denominated**
Trade and other receivables	471,147	51,737
Trade and other payables	(14,188)	(5,319)
Gross balance sheet exposure	456,959	46,418

31 December 2014 **'000 RUB**	**EUR-denominated**	**USD-denominated**
Trade and other receivables	247,861	1,139,620
Finance lease liabilities	(136)	-
Trade and other payables	(11,335)	(35,162)
Gross balance sheet exposure	236,390	1,104,458

31 December 2015 **'000 USD**	**EUR-denominated**	**USD-denominated**
Trade and other receivables	6,464	710
Trade and other payables	(195)	(73)
Gross balance sheet exposure	6,269	637

31 December 2014 **'000 USD**	**EUR-denominated**	**USD-denominated**
Trade and other receivables	4,406	20,257
Finance lease liabilities	(2)	-
Trade and other payables	(201)	(625)
Gross balance sheet exposure	4,203	19,632

The following significant exchange rates applied during the year:

	31 December 2015 **RUB**	**31 December 2014** **RUB**
1 USD equals	72.8827	56.2584
1 EUR equals	79.6972	68.3427
1 UAH equals	3.0463	3.5564

Sensitivity analysis

A 10.00% strengthening of RUB against the above currencies would have increased loss by RUB 50,123 thousand / USD 688 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 2015	**31 December 2014**
Fixed rate instruments		
Financial assets	112,598	2,525,849
Financial liabilities	(33,018,415)	(27,367,031)
	(32,905,817)	(24,841,182)

'000 USD	**Carrying amount**	
	31 December 2015	**31 December 2014**
Fixed rate instruments		
Financial assets	1,545	44,898
Financial liabilities	(453,036)	(486,452)
	(451,491)	(441,556)

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.

(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 31 December 2015	Fair value 31 December 2015	Carrying amount 31 December 2014	Fair value 31 December 2014
Financial assets					
Available-for-sale financial assets	15	27,428	27,428	1,502	1,502
Loans and receivables		6,205,815	6,205,815	13,901,255	13,901,255
Held to maturity investments	15	-	-	550	550
Cash and cash equivalents	19	20,434,000	20,434,000	25,277,805	25,277,805
Restricted cash	20	22,675	22,675	42,640	42,640
		26,689,918	26,689,918	39,223,752	39,223,752
Financial liabilities					
Secured bank loans	23	(14,519,315)	(13,699,810)	(11,687,681)	(9,552,325)
Unsecured bank loans	23	(17,177,073)	(16,924,334)	(12,450,000)	(12,281,385)
Unsecured other loans	23	(13,810)	(12,504)	(1,923)	(1,627)
Unsecured bond issues	23	(1,154,281)	(1,104,053)	(3,016,868)	(2,751,561)
Trade and other payables	25	(26,223,183)	(26,223,183)	(26,706,092)	(26,706,092)
Finance lease liabilities	23	(153,936)	(153,936)	(210,559)	(210,559)
		(59,241,598)	(58,117,820)	(54,073,123)	(51,503,549)

’000 USD	Note	Carrying amount 31 December 2015	Fair value 31 December 2015	Carrying amount 31 December 2014	Fair value 31 December 2014
Financial assets					
Available-for-sale financial assets	15	377	377	27	27
Loans and receivables		85,147	85,147	247,097	247,097
Held to maturity investments	15	-	-	10	10
Cash and cash equivalents	19	280,368	280,368	449,316	449,316
Restricted cash	20	311	311	758	758
		366,203	366,203	697,208	697,208
Financial liabilities					
Secured bank loans	23	(199,215)	(187,971)	(207,749)	(169,794)
Unsecured bank loans	23	(235,681)	(232,213)	(221,300)	(218,303)
Unsecured other loans	23	(189)	(172)	(34)	(29)
Unsecured bond issues	23	(15,838)	(15,148)	(53,626)	(48,909)
Trade and other payables	25	(359,801)	(359,800)	(474,704)	(474,704)
Finance lease liabilities	23	(2,113)	(2,112)	(3,743)	(3,743)
		(812,837)	(797,416)	(961,156)	(915,482)

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

	31 December 2015	31 December 2014
Loans and borrowings	4.75% - 13.78%	7.83% - 18.28%
Leases	12.84% - 23.00%	12.81% - 23.00%

(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 2015	31 December 2014	31 December 2015	31 December 2014
	'000 RUB	'000 RUB	'000 USD	'000 USD
Total liabilities	136,387,635	133,173,740	1,871,333	2,367,180
Less: cash and cash equivalents	(20,434,000)	(25,277,805)	(280,368)	(449,316)
Net liabilities	115,953,635	107,895,935	1,590,965	1,917,864
Total equity	67,994,058	65,827,909	932,925	1,170,099
Net liabilities to capital ratio	1.71	1.64	1.71	1.64

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

'000 RUB	**31 December 2015**	**31 December 2014**
Less than one year	1,349,068	329,552
Between one and five years	2,161,640	1,152,018
More than five years	7,271,104	7,926,492
	10,781,812	9,408,062

'000 USD	**31 December 2015**	**31 December 2014**
Less than one year	18,510	5,858
Between one and five years	29,659	20,477
More than five years	99,764	140,894
	147,933	167,229

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 2015 an amount of RUB 132,227 thousand / USD 2,169 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 2015 an amount of RUB 1,238,176 thousand / USD 20,312 thousand was capitalized to the construction cost of the properties, located on the respective land plots.

28 Commitments

At 31 December 2015, the Group was committed to purchase property, plant and equipment for approximately RUB 24,325 thousand / USD 334 thousand (31 December 2014: RUB 58,138 thousand / USD 1,033 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 nine 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 areas in the years from 2018 to 2033.

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 2014: 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 2015	31 December 2014	31 December 2015	31 December 2014
	’000 RUB	’000 RUB	’000 USD	’000 USD
Salaries and bonuses	800,973	512,721	13,140	13,345

(ii) Other transactions with management and close family members

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	’000 RUB	’000 RUB	’000 RUB	’000 RUB	’000 USD	’000 USD	’000 USD	’000 USD
Sale of goods and services	63,337	68,169	(7,353)	26,862	1,039	1,774	(101)	477
Loans received (included into unsecured other loans – refer to note 23)	-	-	(1,910)	(1,910)	-	-	(26)	(34)
Loans given to related parties	-	1,000	-	1,000	-	26	-	18
Other income (expenses), net	90	62	(270)	29	1	2	(4)	1

As at 31 December 2015 there were no loans to executive directors (31 December 2014: RUB 1,000 thousand / USD 18 thousand).

(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 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
	’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	34,859	21,459	45,580	31,941	572	559	625	568
	34,859	21,459	45,580	31,941	572	559	625	568

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.

(ii) Expenses and capital expenditures

	Transaction value year ended		**Outstanding balance**		**Transaction value year ended**		**Outstanding balance**	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
	’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	431,625	11,362	(2,195)	120,785	7,081	296	(30)	2,147
	431,625	11,362	(2,195)	120,785	7,081	296	(30)	2,147

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.

Other expenses to companies controlled or significantly influenced by or on behalf of the Group’s ultimate beneficial owners as at 31 December 2015 amounts to RUB 94,487 thousand / USD 1,550 thousand (other expenses 31 December 2014: RUB 84,489 thousand / USD 2,199 thousand). Outstanding balance amounts to RUB 146 thousand / USD 2 thousand (31 December 2014: RUB 307 thousand / USD 5 thousand).

(iii) Loans

	Transaction value year ended		**Outstanding balance**		**Transaction value year ended**		**Outstanding balance**	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Loans received (included into unsecured other loans – refer to note 23):								
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	24,000	-	11,900	-	394	-	163	-
	24,000	-	11,900	-	394	-	163	-

	Transaction value year ended		**Outstanding balance**		**Transaction value year ended**		**Outstanding balance**	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Interest payable (included into other payables):								
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	530	-	1,307	-	9	-	18	-
	530	-	1,307	-	9	-	18	-

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
	’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	72,265	2,200,000	-	2,200,000	1,185	57,259	-	39,105
	72,265	2,200,000	-	2,200,000	1,185	57,259	-	39,105

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
	’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	556	9,954	-	9,945	9	259	-	177
	556	9,954	-	9,945	9	259	-	177

(iv) Transactions with shares

Purchase of shares from

	Transaction value year ended		Outstanding balance		Transaction value year ended		Outstanding balance	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
	’000 RUB	**’000 RUB**	**’000 RUB**	**’000 RUB**	**’000 USD**	**’000 USD**	**’000 USD**	**’000 USD**
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group’s ultimate beneficial owners	2,256,800	-	-	-	37,022	-	-	-
	2,256,800	-	-	-	37,022	-	-	-

Transaction above relates to purchase of shares, which represents purchase of lease rights of land plot.

Also in October 2015 the Group concluded contracts with JSC NPO Reconstruction to purchase 252,500 Global Depositary Receipts (GDRs) of PJSC LSR Group for agreed price of USD 1.87 per GDR (USD 472 thousand in total) and 15,000 ordinary shares for agreed price RUB 572 per share (RUB 8,580 thousand in total). Each GDR represents 1/5 of one ordinary share issued by PJSC LSR Group. Transfer of ownership right for GDRs and ordinary shares was in 2015.

31 Subsidiaries

Entity	Country of incorporation	Ownership/ voting interest 31 December 2015	Ownership/ voting interest 31 December 2014
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%
AO "LSR.Zelezobeton-SZ" (OAO "LSR.Zelezobeton-SZ")	Russia	100.00%	100.00%
OOO "LSR.Stroitelstvo-SZ"	Russia	100.00%	100.00%
OAO "LSR.Krany-SZ"	Russia	100.00%	100.00%
AO "LSR.Nedvizimost-M" (ZAO "LSR.Nedvizimost-M")	Russia	100.00%	100.00%
LSR. Wall Materials-NW Ltd	Russia	100.00%	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"	Russia	100.00%	100.00%
Limited Liability Company Smolniy District	Russia	100.00%	100.00%
OOO "BaltStroyKomplekt"****	Russia	-	100.00%
OOO "LSR. Bazovye-M"	Russia	100.00%	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
Saargemunder Straße Wohnbau Gmbh & Co. KG	Germany	70.00%	70.00%
Saargemunder Straße Wohnbau Beteiligungs-GmbH****	Germany	-	70.00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94.80%	94.80%
LSR - Vermögensverwaltungs GmbH	Germany	85.00%	85.00%
Oefelestraße Projektentwicklungsgesellschaft mbH & Co. KG	Germany	85.00%	85.00%
Projektgesellschaft Bayerstraße 79 mbH	Germany	80.00%	80.00%
Bereiteranger Vermogensverwaltungs GmbH****	Germany	-	100.00%
Bereiteranger Projektentwicklungs GmbH & Co KG***	Germany	-	100.00%
Aignerstraße Projektentwicklungsgesellschaft mbH	Germany	100.00%	100.00%
mysuithome Munchen GmbH**	Germany	-	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%

Entity	Country of incorporation	Ownership/ voting interest 31 December 2015	Ownership/ voting interest 31 December 2014
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%
ZAO “LSR-Bazovye”	Russia	100.00%	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%
OOO “Zagorodnaya, 9”	Russia	99.99%	99.99%
OOO “Royal Gardens Hotel”	Russia	100.00%	100.00%
AO “Tsementnyy Elevator” (OAO “Tsementnyy Elevator”)	Russia	98.27%	98.18%
“LSR. Object-M” Ltd (OOO “Promobyekt”)	Russia	100.00%	100.00%
OOO “Ravan”	Russia	100.00%	-
OOO “Oblastnye proekty”	Russia	100.00%	-
LLC “Sanatorium Dunes”	Russia	100.00%	-
OAO “Zavod ZhBI-6”	Russia	59.11%	-
“LSR. Real Estate” Ltd	Russia	100.00%	-
OOO “RAZVITIE”	Russia	50.00%	-

* The Group retained de facto control.

** Not significant subsidiaries disposed to third or related parties during the year ended 31 December 2015.

*** Not significant subsidiaries liquidated during the year ended 31 December 2015.

**** Subsidiaries merged to the Group companies during the year ended 31 December 2015.

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.

Efforts to sell the disposal Group have commenced in 2015, however, the deal was cancelled and the Group presented facilities related to the Ready-mix Concrete production in Moscow within the

"LSR.Building Materials" segment together with Ready-mix Concrete production in Saint Petersburg.

As the result, at 31 December 2015 the Group has no disposal group held for sale.

33 Events subsequent to the reporting date

(a) Financing events

In February 2016 the Company entered into a loan agreement with OAO "MBSP". The total amount of non-revolving credit line granted is limited to RUB 1,500,000 thousand / USD 20,581 thousand. The loan is to be repaid no later 11 October 2017.

In January 2016 one of the Group subsidiaries entered into a loan agreement with OAO "UcrSibbank". The total amount of revolving credit line granted is limited to RUB 36,556 thousand / USD 502 thousand. The loan is to be repaid no later 31 March 2016.

(b) Operating events

In March 2016 the Board of Directors recommended the Annual General Shareholders' Meeting to distribute dividends of RUB 78.00 per ordinary share based on the results of the 2015 financial year.

34 Supplementary disclosures

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

Division	Segment	Business unit	Product	Entity
Building Materials	LSR.Building Materials	LSR.Basic Materials.NW	Ready-mix Concrete	ZAO “LSR-Bazovye” Ready-mix Concrete OOO “LSR. Bazovye-M” Ready-mix Concrete NW
			Sand	OOO “Landshaft” OOO “Ravan” ZAO “LSR-Bazovye” Sand
			Crushed Granite	ZAO “LSR-Bazovye” Crushed Granite
		LSR.Basic Materials.Moscow	Ready-mix Concrete	OOO “LSR. Bazovye-M”
		LSR.Wall Materials	Brick	LSR. Wall Materials-NW Ltd OOO “LSR.Stenovye-M”
			Aerated Concrete	PJSC “Aeroc Obuchow” LLC “AEROC” LSR Stenovye (Aerated Concrete)
		LSR.Reinforced Concrete.NW	Reinforced Concrete	AO “LSR.Zelezobeton-SZ” (OAO “LSR.Zelezobeton-SZ”)
Real Estate and Construction	LSR. Construction.NW	LSR. Construction.NW	Construction	OOO “LSR.Stroitelstvo-SZ”
		LSR. Construction.Moscow	Construction	OOO “LSR.Stroitelstvo-M” OAO “Zavod ZhBI-6” AO “LSR.Nedvizimost-M” (ZAO “LSR.Nedvizimost-M”)
		LSR. Construction.Ural	Construction	LSR.Construction-Urals Ltd Limited Liability Company “KUZZhBI” OOO “Kamenskoe-3”
	LSR. Project management	LSR. Project management	Project management	OOO “LSR-Stroy”
	LSR.Cranes	LSR.Cranes	Cranes	OAO “LSR.Krany-SZ”
	LSR.Real Estate	LSR.Real Estate.NW	Real Estate	JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG” OOO “Oktyabrskaya, 42” Limited Liability Company Smolniy District OOO “SPB GDC “YUNA” OOO “Lenstroyrekonstruktciya” (OAO “LSR”) AO "Tsementnyy Elevator"(OAO "Tsementnyy Elevator") OOO “BaltStroyKomplekt” OAO “Stroicorporatciya” Limited Liability Company “AvtoKomBalt”

Division	Segment	Business unit	Product	Entity
				OOO "Royal Gardens Hotel"
				OOO "LSR.Nedvizimost-SZ"
		LSR.Real Estate.Moscow	Real Estate	AO "LSR.Nedvizimost-M" (ZAO "LSR.Nedvizimost-M")
				"LSR. Object-M" Ltd (OOO "Promobyekt")
				OOO "MSR-Butovo"
				OOO "RAZVITIE"
				OOO "Velikan-XXI vek"
		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 Projektentwicklungsgesellschaft mbH & Co. KG
				Saargemunder Straße Wohnbau Beteiligungs-GmbH
				Projektgesellschaft Bayerstraße 79 mbH
				Saargemunder Straße Wohnbau GmbH & Co.KG
				Bereiteranger Projektentwicklungs GmbH & Co. KG
				Bereiteranger Vermogensverwaltungs GmbH
				mysuithome Munchen GmbH
				Aignerstraße Projektentwicklungsgesellschaft mbH
				"LSR. Real Estate" Ltd
Other	Other	Other	Other entities	ZAO "Industrial Leasing"
				PJSC LSR Group (OJSC LSR Group)
				OAO MTO "ARHPROEKT"
				Lsr Group Ltd
				JSC "A Plus Estate"
				OOO "Zagorodnaya, 9"
				OOO "Oblastnye proekty"
				LLC "Sanatorium Dunes"
				PJSC "Uralscheben"

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

For the year ended 31 December 2015 **’000 RUB**	**Revenue from external customers**	**Inter-group revenue**	**Total revenue**	**Operating profit (excl. management fee)**	**Depreciation/ Amortisation**	**Capitalized interest recognized in cost of sales**	**Write off of change in fair value of the disposed asset**	**EBITDA***
Ready-mix Concrete	2,913,684	171,019	**3,084,703**	(28,824)	103,831	-	-	**75,007**
Sand	1,626,266	316,857	**1,943,123**	349,659	148,050	-	-	**497,709**
Crushed Granite	1,831,000	781,006	**2,612,006**	237,207	250,201	-	-	**487,408**
Eliminations	-	(672,391)	**(672,391)**	-	-	-	-	**-**
LSR.Basic Materials.NW	6,370,950	596,491	**6,967,441**	558,042	502,082	-	-	**1,060,124**
LSR.Basic Materials. Moscow	-	-	-	(163,647)	61,128	-	-	**(102,519)**
Brick	3,421,180	14,198	**3,435,378**	371,334	852,326	-		**1,223,660**
Aerated Concrete	2,897,468	7,394	**2,904,862**	643,018	138,314	-	-	**781,332**
Eliminations	-	(7,258)	**(7,258)**	-	-	-	-	-
LSR.Wall Materials	6,318,648	14,334	**6,332,982**	1,014,352	990,640	-	-	**2,004,992**
LSR.Reinforced Concrete.NW	3,015,812	118,726	**3,134,538**	275,384	294,357	-	-	**569,741**
Eliminations	-	(192,703)	**(192,703)**	(8,148)	-	-	-	**(8,148)**
Building Materials	**15,705,410**	**536,848**	**16,242,258**	**1,675,983**	**1,848,207**	**-**	**-**	**3,524,190**
LSR. Construction.NW	1,964,018	19,477,445	**21,441,463**	1,987,989	419,297	(82,400)		**2,489,686**
LSR. Construction. Moscow	2,355,647	4,778,220	**7,133,867**	(308,089)	93,812	-	-	**(214,277)**
LSR. Construction.Ural	681,072	3,716,190	**4,397,262**	310,616	176,349	-	-	**486,965**
Eliminations	-	(44,740)	**(44,740)**	(3,506)	-	-	-	**(3,506)**
LSR. Construction	5,000,737	27,927,115	**32,927,852**	1,987,010	689,458	(82,400)	-	**2,758,868**
LSR. Project management	787,364	119,900	**907,264**	10,251	491	-	-	**10,742**
LSR.Cranes	1,249,364	177,419	**1,426,783**	249,174	176,093	-	-	**425,267**
LSR.Real Estate.NW	48,098,877	8,400	**48,107,277**	12,221,644	53,944	(28,974)	(1,681,930)	**13,986,492**
LSR.Real Estate.Moscow	5,843,525	-	**5,843,525**	(154,492)	6,611	(78,583)	-	**(69,298)**
LSR.Real Estate.Urals	6,596,683	-	**6,596,683**	1,412,913	3,342	-	-	**1,416,255**
LSR.Real Estate. Europe	483,045	185,369	**668,414**	(16,876)	3,321	-	-	**(13,555)**
Eliminations	503	(6,710)	**(6,207)**	98,077	-	-	-	**98,077**
LSR.Real Estate	61,022,633	187,059	**61,209,692**	13,561,266	67,218	(107,557)	(1,681,930)	**15,417,971**
Eliminations	-	(28,131,592)	**(28,131,592)**	(797,695)	-	-	-	**(797,695)**
Real Estate and Construction	**68,060,098**	**279,901**	**68,339,999**	**15,010,006**	**933,260**	**(189,957)**	**(1,681,930)**	**17,815,153**
Other entities	240,388	-	**240,388**	-	216,758	-	-	**216,758**
Unallocated income and expenses	373,336	-	**373,336**	(2,719,233)	-	-	-	**(2,719,233)**
Transportation revenue	2,451,119	-	**2,451,119**	-	-	-	-	-
Eliminations	-	(816,749)	**(816,749)**	(204,251)	-	-	-	**(204,251)**
Consolidated	**86,830,351**	**-**	**86,830,351**	**13,762,505**	**2,998,225**	**(189,957)**	**(1,681,930)**	**18,632,617**

**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 2015 **'000 USD**	**Revenue from external customers**	**Inter-group revenue**	**Total revenue**	**Operating profit (excl. management fee)**	**Depreciation/ Amortisation**	**Capitalized interest recognized in cost of sales**	**Write off of change in fair value of the disposed asset**	**EBITDA***
Ready-mix Concrete	47,798	2,806	**50,604**	(473)	1,703	-	-	**1,230**
Sand	26,679	5,198	**31,877**	5,736	2,429	-	-	**8,165**
Crushed Granite	30,037	12,812	**42,849**	3,891	4,104	-	-	**7,995**
Eliminations	-	(11,030)	**(11,030)**	-	-	-	-	-
LSR.Basic Materials.NW	104,514	9,786	**114,300**	9,154	8,236	-	-	**17,390**
LSR.Basic Materials. Moscow	-	-	-	(2,685)	1,003	-	-	**(1,682)**
Brick	56,124	233	**56,357**	6,092	13,982	-	-	**20,074**
Aerated Concrete	47,532	121	**47,653**	10,549	2,269	-	-	**12,818**
Eliminations	-	(119)	**(119)**	-	-	-	-	-
LSR.Wall Materials	103,656	235	**103,891**	16,641	16,251	-	-	**32,892**
LSR.Reinforced Concrete.NW	49,474	1,948	**51,422**	4,518	4,829	-	-	**9,347**
Eliminations	-	(3,162)	**(3,162)**	(134)	-	-	-	**(134)**
Building Materials	**257,644**	**8,807**	**266,451**	**27,494**	**30,319**	**-**	**-**	**57,813**
LSR. Construction.NW	32,219	319,523	**351,742**	32,612	6,878	(1,352)	-	**40,842**
LSR. Construction. Moscow	38,644	78,386	**117,030**	(5,054)	1,539	-	-	**(3,515)**
LSR. Construction.Ural	11,173	60,963	**72,136**	5,096	2,893	-	-	**7,989**
Eliminations	-	(734)	**(734)**	(58)	-	-	-	**(58)**
LSR. Construction	82,036	458,138	**540,174**	32,596	11,310	(1,352)	-	**45,258**
LSR. Project management	12,917	1,967	**14,884**	168	8	-	-	**176**
LSR.Cranes	20,496	2,911	**23,407**	4,088	2,889	-	-	**6,977**
LSR.Real Estate.NW	789,051	138	**789,189**	200,493	885	(475)	(27,592)	**229,445**
LSR.Real Estate.Moscow	95,862	-	**95,862**	(2,534)	108	(1,289)	-	**(1,137)**
LSR.Real Estate.Urals	108,217	-	**108,217**	23,179	55	-	-	**23,234**
LSR.Real Estate. Europe	7,924	3,041	**10,965**	(277)	55	-	-	**(222)**
Eliminations	8	(110)	**(102)**	1,609	-	-	-	**1,609**
LSR.Real Estate	1,001,062	3,069	**1,004,131**	222,470	1,103	(1,764)	(27,592)	**252,929**
Eliminations	-	(461,492)	**(461,492)**	(13,086)	-	-	-	**(13,086)**
Real Estate and Construction	**1,116,511**	**4,593**	**1,121,104**	**246,236**	**15,310**	**(3,116)**	**(27,592)**	**292,254**
Other entities	3,941	-	**3,941**	-	3,556	-	-	**3,556**
Unallocated income and expenses	6,125	-	**6,125**	(44,608)	-	-	-	**(44,608)**
Transportation revenue	40,210	-	**40,210**	-	-	-	-	-
Eliminations	-	(13,400)	**(13,400)**	(3,351)	-	-	-	**(3,351)**
Consolidated	**1,424,431**	**-**	**1,424,431**	**225,771**	**49,185**	**(3,116)**	**(27,592)**	**305,664**

**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 RUB**	**Revenue from external customers**	**Inter-group revenue**	**Total revenue**	**Operating profit (excl. management fee)**	**Depreciation/ Amortisation**	**Capitalized interest recognized 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	3,162,754	13,241	**3,175,995**	276,131	768,773	-	-	**1,044,904**
Aerated Concrete	2,902,495	4,803	**2,907,298**	825,346	153,681	-	-	**979,027**
Eliminations	-	(5,539)	**(5,539)**	-	-	-	-	-
LSR.Wall Materials	6,065,249	12,505	**6,077,754**	1,101,477	922,454	-	-	**2,023,931**
LSR.Reinforced Concrete.NW	2,191,852	316,114	**2,507,966**	(281,345)	267,397	-	-	**(13,948)**
Eliminations	-	(1,640,774)	**(1,640,774)**	12,510	-	-	-	**12,510**
Building Materials	**19,945,520**	**1,152,199**	**21,097,719**	**2,719,475**	**2,525,373**	**-**	**-**	**5,244,848**
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	155,058	**2,343,098**	183,148	804	-	-	**183,952**
LSR.Cranes	1,377,497	173,899	**1,551,396**	302,843	231,609	-	-	**534,452**
LSR.Real Estate.NW	39,405,861	39,787	**39,445,648**	9,653,229	54,124	(71,884)	(150,284)	**9,929,521**
LSR.Real Estate.Moscow	12,259,657	10,367	**12,270,024**	985,561	6,640	(121,057)	-	**1,113,258**
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	60,824,763	160,270	**60,985,033**	12,118,229	64,891	(246,602)	(150,284)	**12,580,006**
Eliminations	-	(21,477,521)	**(21,477,521)**	52,957	-	-	-	**52,957**
Real Estate and Construction	**68,763,288**	**199,058**	**68,962,346**	**14,089,004**	**953,791**	**(267,521)**	**(150,284)**	**15,460,600**
Other entities	1,071,132	-	**1,071,132**	-	198,892	-	-	**198,892**
Unallocated income and expenses	367,734	-	**367,734**	(2,480,106)	-	-	-	**(2,480,106)**
Transportation revenue	2,199,503	-	**2,199,503**	-	-	-	-	-
Eliminations	-	(1,351,257)	**(1,351,257)**	3,163,533	-	-	-	**3,163,533**
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. management fee)**	**Depreciation/ Amortisation**	**Capitalized interest recognized 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	82,317	345	**82,662**	7,187	20,009	-	-	**27,196**
Aerated Concrete	75,543	125	**75,668**	21,481	4,000	-	-	**25,481**
Eliminations	-	(144)	**(144)**	-	-	-	-	-
LSR.Wall Materials	157,860	326	**158,186**	28,668	24,009	-	-	52,677
LSR.Reinforced Concrete.NW	57,046	8,227	**65,273**	(7,323)	6,959	-	-	**(364)**
Eliminations	-	(42,704)	**(42,704)**	326	-	-	-	**326**
Building Materials	**519,121**	**29,988**	**549,109**	**70,780**	**65,728**	**-**	**-**	**136,508**
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	4,036	**60,984**	4,767	21	-	-	**4,788**
LSR.Cranes	35,852	4,526	**40,378**	7,882	6,028	-	-	**13,910**
LSR.Real Estate.NW	1,025,615	1,035	**1,026,650**	251,245	1,408	(1,871)	(3,911)	**258,435**
LSR.Real Estate.Moscow	319,082	270	**319,352**	25,651	173	(3,151)	-	**28,975**
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	1,583,084	4,171	**1,587,255**	315,401	1,689	(6,419)	(3,911)	327,420
Eliminations	-	(558,995)	**(558,995)**	1,378	-	-	-	**1,378**
Real Estate and Construction	**1,789,700**	**5,180**	**1,794,880**	**366,694**	**24,824**	**(6,963)**	**(3,911)**	**402,392**
Other entities	27,879	-	**27,879**	-	5,177	-	-	**5,177**
Unallocated income and expenses	9,571	-	**9,571**	(64,549)	-	-	-	**(64,549)**
Transportation revenue	57,246	-	**57,246**	-	-	-	-	-
Eliminations	-	(35,168)	**(35,168)**	82,337	-	-	-	**82,337**
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.*

Net financial position**

	31 December 2015 ’000 RUB	**31 December 2014 ’000 RUB**	**31 December 2015 ’000 USD**	**31 December 2014 ’000 USD**
LSR.Basic Materials.NW	(164,664)	(1,059,060)	(2,259)	(18,825)
LSR.Basic Materials.Moscow	(131,049)	(27,090)	(1,798)	(482)
LSR.Wall Materials	(7,515,438)	(9,446,038)	(103,117)	(167,905)
LSR. Reinforced Concrete. NW	(84,595)	(339,838)	(1,161)	(6,041)
LSR. Building Materials	(7,895,746)	(10,872,026)	(108,335)	(193,253)
LSR. Construction.NW	8,193,027	8,722,500	112,414	155,044
LSR. Construction. Moscow	(1,341,370)	(215)	(18,405)	(4)
LSR. Construction. Ural	2,792	209,139	38	3,717
LSR. Construction	6,854,449	8,931,424	94,047	158,757
LSR. Project management	161,500	302,000	2,216	5,368
LSR. Cranes	(6,264)	(113,573)	(86)	(2,019)
LSR. Real Estate. NW	(8,873,935)	(3,271,650)	(121,756)	(58,154)
LSR. Real Estate. Moscow	(18,944,944)	(9,081,772)	(259,937)	(161,430)
LSR. Real Estate. Ural	-	-	-	-
LSR. Real Estate. Europe	(502,422)	(485,365)	(6,894)	(8,626)
LSR. Real Estate	(28,321,301)	(12,838,787)	(388,587)	(228,210)
Other entities	(3,811,053)	(12,776,069)	(52,291)	(227,095)
Consolidated	**(33,018,415)**	**(27,367,031)**	**(453,036)**	**(486,452)**

***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.*