Etalon Group

Consolidated Financial Statements

For the year ended
31 December 2014

Etalon Group Limited

Contents

Directors' report

Principal activity

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

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

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the consolidated financial statements comply with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of information to Auditors

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

Directors' Responsibility Statement

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

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

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

Andrew Howat
Director

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10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

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Independent auditor's report to the members of Etalon Group Limited

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

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Independent auditor's report to the members of Etalon Group Limited (continued)

Opinion

In our opinion, the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended;
- are in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

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

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

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

23 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31 December 2014

mln RUB	Note	2014	2013
Revenue	6	**51 481**	39 921
Cost of sales		**(35 685)**	(27 553)
Gross profit		**15 796**	**12 368**
General and administrative expenses	8	**(4 178)**	(3 157)
Selling expenses		**(1 474)**	(1 023)
Other expenses, net	9	**(913)**	(40)
Results from operating activities		**9 231**	**8 148**
Finance income	11	**1 717**	691
Finance costs	11	**(553)**	(342)
Net finance income		**1 164**	**349**
Profit before income tax		**10 395**	**8 497**
Income tax expense	12	**(2 026)**	(1 833)
Profit for the year		**8 369**	**6 664**
Total comprehensive income for the year		**8 369**	**6 664**
Profit attributable to:			
Owners of the Company		**8 345**	6 629
Non-controlling interest		**24**	35
Profit for the year		**8 369**	**6 664**
Total comprehensive income attributable to:			
Owners of the Company		**8 345**	6 629
Non-controlling interest		24	35
Total comprehensive income for the year		**8 369**	**6 664**
Earnings per share			
Basic and diluted earnings per share (RUB)	22	28,57	22,70

These consolidated financial statements were approved by the Board of Directors on 23 March 2015 and were signed on its behalf by:

Andrew Howat
Director

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 42.

Consolidated Statement of Financial Position

as at 31 December 2014

mln RUB	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	2 503	1 962
Investment property	14	808	1 142
Other long-term investments	15	1 036	275
Trade and other receivables	18	2 521	1 332
Deferred tax assets	16	885	560
Other non-current assets		10	10
Total non-current assets		**7 763**	**5 281**
Current assets			
Inventories	17	57 525	50 057
Trade and other receivables	18	15 074	15 078
Short-term investments	19	1 221	5 008
Cash and cash equivalents	20	14 631	8 139
Other current assets		66	7
Total current assets		**88 517**	**78 289**
Total assets		**96 280**	**83 570**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	14 983	14 967
Retained earnings		36 537	29 332
Total equity attributable to equity holders of the Company		**51 520**	**44 299**
Non-controlling interest		351	387
Total equity		**51 871**	**44 686**
Non-current liabilities			
Loans and borrowings	23	12 411	10 176
Trade and other payables	25	2 854	785
Provisions	24	114	89
Deferred tax liabilities	16	1 456	826
Total non-current liabilities		**16 835**	**11 876**
Current liabilities			
Loans and borrowings	23	3 880	3 043
Trade and other payables	25	21 460	22 300
Provisions	24	2 234	1 665
Total current liabilities		**27 574**	**27 008**
Total equity and liabilities		**96 280**	**83 570**

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 9 to 42.

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2014

mln RUB	Attributable to equity holders of the Company: Share capital	Retained earnings	Total	Non—controlling interest	Total equity
Balance at 1 January 2013	**14 967**	**22 688**	**37 655**	**408**	**38 063**
Total comprehensive income for the year					
Profit for the year	—	6 629	6 629	35	6 664
Total comprehensive income for the year	—	6 629	6 629	35	6 664
Transactions with owners, recorded directly in equity					
Changes in ownership interests in subsidiaries that do not result in a loss of control					
Changes in ownership interest in subsidiaries	—	15	15	(56)	(41)
Total transactions with owners	**—**	**15**	**15**	**(56)**	**(41)**
Balance at 31 December 2013	**14 967**	**29 332**	**44 299**	**387**	**44 686**

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

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 42.

Consolidated Statement of Cash Flows

For the Year ended 31 December 2014

mln RUB	Note	2014	2013
OPERATING ACTIVITIES:			
Profit for the year		**8 369**	6 664
Adjustments for:			
Depreciation	**13, 14**	**417**	343
Gain on disposal of property, plant and equipment	**9**	**(52)**	(15)
Impairment loss on investment property	**9**	**280**	—
Impairment loss on inventories	**9**	**466**	
Finance income, net		**(1 164)**	(337)
Income tax expense		**2 026**	1 833
Cash from operating activities before changes in working capital and provisions		**10 342**	**8 488**
Change in inventories		**(6 890)**	(7 837)
Change in accounts receivable		**(1 427)**	(5 080)
Change in accounts payable		**1 184**	4 880
Change in provisions	**24**	**594**	1 109
Change in other current assets		**(59)**	25
Income tax paid		**(1 645)**	(907)
Interest paid		**(1 588)**	(1 724)
Net cash from/(used in) operating activities		**511**	**(1 046)**
INVESTING ACTIVITIES:			
Proceeds from disposal of non-current assets		**66**	15
Interest received		**823**	611
Acquisition of property, plant and equipment		**(653)**	(431)
Loans given		**(178)**	(55)
Loans repaid		**174**	85
Acquisition of subsidiaries, net of cash acquired		**—**	10
Disposal of subsidiaries, net of cash disposed of		**7**	(20)
(Acquisition)/disposal of other investments		**3 038**	1 606
Net cash from investing activities		**3 277**	**1 821**
FINANCING ACTIVITIES:			
Acquisition of non-controlling interest		**(83)**	(10)
Proceeds from borrowings		**10 763**	5 937
Repayments of borrowings		**(8 498)**	(9 668)
Acquisition of own shares		**16**	—
Dividends paid		**(1 124)**	—
Net cash from/(used in) financing activities		**1 074**	**(3 741)**
Net increase/(decrease) in cash and cash equivalents		**4 862**	**(2 966)**
Cash and cash equivalents at the beginning of the year		**8 139**	10 716
Effect of exchange rate fluctuations on cash and cash equivalents		**1 630**	389
Cash and cash equivalents at the end of the year	**20**	**14 631**	**8 139**

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 9 to 42.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1 Background

(a) Organisation and operations

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

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

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

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

Related party transactions are disclosed in note 30.

(b) Business environment

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

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

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

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

- Note 6 – revenue recognition;
- Note 17 – inventory obsolescence provisions;
- Note 24 – provisions;
- Note 29 – contingencies;
- Note 31 - structured entities.

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

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

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency

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

(c) Financial instruments

(i) Financial assets

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

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

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

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

Loans and receivables

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

Cash and cash equivalents

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

(ii) Financial liabilities

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

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

(d) Advances received and paid

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. No estimates in respect of plant and equipment were revised in 2014.

(f) Inventories

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

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

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

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

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

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

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

(g) Revenue

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

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

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

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

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

(ii) Revenue from construction services

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

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

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

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

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

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

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

- unbilled receivables represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised

to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Unbilled receivables are presented as part of trade and other receivables in the consolidated statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings;
- billings in excess of work completed are recognised as a part of trade and other payables if progress billings exceed costs incurred plus recognised profits.

(iii) Revenue from sale of construction materials

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

(iv) Rental income

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

(h) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December, 2014, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.
- IFRS 9 Financial Instruments is effective for annual periods beginning on or after 1 January 2018. The new standard replaces International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The Group recognises that the new standard introduces many changes to the accounting for financial instruments, but has yet to analyse the impact of these changes. The Group does not intend to adopt this standard early.

- IFRS 15 Revenue from Contracts with Customers will be effective for annual periods beginning on or after 1 January 2017. The new standard replaces International Financial Reporting Standard IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, SIC 31 Revenue - Barter Transactions Involving Advertising Services. The Group has not yet analysed the likely impact of the standards on its financial position or performance.
- Various Improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, came into effect after 1 January 2014. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

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

(a) Non-derivative financial assets

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

(b) Derivatives

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

Due to current market conditions the Group suspends applying upper and lower ranges of exchange rate (corridor 32 RUB – 36 RUB per a conditional unit, prescribed by sales contracts) for its settlements and uses conversion rate equal to 32 RUB per a conditional unit in the year ended as at 31 December 2014. Subsequently, starting from February 2015 the Group revised the conversion rate to 33 RUB per a conditional unit.

(c) Non-derivative financial liabilities

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

5 Operating segments

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

- Residential Development. Includes construction of residential real estate including flats, built-in premises and parking places.
- Construction services. Includes construction services for third parties and for internal purpose.
- Other operations. Include selling of construction materials, construction of stand-alone premises for commercial use and various services related to sale and servicing of premises. None of these meet any of the quantitative thresholds for determining reportable segments during the year ended 31 December 2014 or 2013.

(a) Information about reportable segments

mln RUB	Residential development 2014	Residential development 2013	Construction services 2014	Construction services 2013	Other 2014	Other 2013	Total 2014	Total 2013
External revenues	**37 560**	29 548	**9 909**	7 256	**4 012**	3 117	**51 481**	39 921
Inter-segment revenue	**-**	-	**12 823**	13 173	**1 119**	1 629	**13 942**	14 802
Total segment revenue	**37 560**	29 548	**22 732**	20 429	**5 131**	4 746	**65 423**	54 723
Gross profit	**14 056**	11 185	**1 369**	743	**1 017**	363	**16 442**	12 291
Interest in cost of sales (note 11)	**1 024**	779	**-**	-	**-**	-	**1 024**	779
Gross profit adjusted for interest in cost of sales	**15 080**	11 964	**1 369**	743	**1 017**	363	**17 466**	13 070
Gross profit adjusted, %	**40%**	40%						

	2014	2013	2014	2013	2014	2013	2014	2013
Reportable segment assets: inventory	**60 044**	52 043	**572**	516	**659**	65	**61 275**	52 624
Reportable segment liabilities: advances from customers	**10 398**	9 058	**2 397**	6 015	**358**	246	**13 153**	15 319

(b) Geographical information

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

mln RUB	Revenues 2014	Revenues 2013	Non-current assets 2014	Non-current assets 2013
St. Petersburg metropolitan area	**42 672**	32 613	**5 611**	4 351
Moscow metropolitan area	**8 809**	7 308	**2 152**	930
	51 481	**39 921**	**7 763**	**5 281**

(c) Major customer

Revenue from one customer of the Group, recognised within the segment "Construction services", amounted to RUB 7 539 million or 15% of the Group's total revenue for the year ended 31 December 2014 (revenue from this customer for the year ended 31 December 2013: RUB 4 256 million or 11% of the Group's total revenue).

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

mln RUB	2014	2013
Revenues		
Total revenue for reportable segments	**65 423**	54 723
Elimination of inter-segment revenue	**(13 942)**	(14 802)
Consolidated revenue	**51 481**	**39 921**
Profit or loss		
Gross profit for reportable segments	**16 442**	12 291
General and administrative expenses	**(4 178)**	(3 157)
Selling expenses	**(1 474)**	(1 023)
Other expenses, net	**(913)**	(40)
Finance income	**1 717**	691
Finance costs	**(553)**	(342)
Elimination of inter-segment (profit)/loss	**(646)**	77
Consolidated profit before income tax	**10 395**	**8 497**

	2014	2013
Assets		
Total assets for reportable segments: inventories	**61 275**	52 624
Elimination of unrealised gain	**(3 750)**	(2 567)
Total inventories	**57 525**	**50 057**
Liabilities		
Total liabilities for reportable segments: advances from customers	**13 153**	15 319
Elimination of intersegment advances	**(1 084)**	(962)
Total advances from customers	**12 069**	**14 357**

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

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

6 Revenue

mln RUB	2014	2013
Sale of flats	**35 270**	26 582
Sale of built-in commercial premises	**1 772**	2 400
Sale of parking places	**518**	566
Total revenue of segment Residential development (note 5 (a))	**37 560**	**29 548**
Construction contracts (note 7)	**9 145**	6 643
Other contstruction services	**764**	613
Total revenue of segment Construction services (note 5 (a))	**9 909**	7 256
Sale of construction materials	**1 011**	1 091
Sale of stand-alone commercial premises	**25**	52
Rental revenue	**683**	497
Other revenue	**2 293**	1 477
Total other revenue (note 5 (a))	**4 012**	**3 117**
Total revenues	**51 481**	**39 921**

7 Construction contracts

mln RUB	2014	2013
Revenue recognised during the year	9 145	6 643
Costs incurred	(8 316)	(6 306)
Recognised profits during the year	829	337

	2014	2013
For contracts in progress - aggregate amount of costs incurred and recognised profits to date	3 450	9 907
Unbilled receivables	507	2 202
Billings in excess of work completed	79	7
Retentions relating to construction contracts	201	6

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

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

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

8 General and administrative expenses

mln RUB	2014	2013
Payroll and related taxes	**2 913**	2 199
Services	**213**	268
Audit and consulting services	**275**	131
Bank fees and commissions	**117**	80
Materials	**90**	71
Repair and maintenance	**99**	69
Depreciation	**94**	39
Other taxes	**111**	81
Other	**266**	219
Total	**4 178**	**3 157**

9 Other expenses, net

mln RUB	2014	2013
Other income		
Gain on disposal of property, plant and equipment	**52**	15
Gain on disposal of inventory	**76**	44
Fees and penalties received	**25**	—
	153	**59**
Other expenses		
Other expenses	**(320)**	(99)
Impairment of investment property (Note 14)	**(280)**	—
Impairment loss on inventories	**(466)**	—
	(1 066)	**(99)**
Other expenses, net	**(913)**	**(40)**

10 Personnel costs

mln RUB	2014	2013
Wages and salaries	**5 392**	4 533
Contributions to State pension fund	**1 028**	864
	6 420	**5 397**

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

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

During the year ended 31 December 2014 personnel costs and related taxes included in cost of production amounted to RUB 3 048 million (year ended 31 December 2013: RUB 2 809 million). The remaining part of personnel expenses was subsumed within general and administrative expenses (see note 8) and selling expenses in the amount of RUB 459 million (year ended 31 December 2013: RUB 389 million).

11 Finance income and finance costs

mln RUB	2014	2013
Recognised in profit or loss		
Finance income		
Interest income on bank deposits	**729**	583
Net foreign exchange gain	**814**	—
Unwinding of discount on trade receivables	**72**	68
Interest income on loans and receivables	**94**	28
Decrease in allowance for doubtful accounts receivable	—	8
Gain on write-off of accounts payable	**8**	4
Finance income	**1 717**	**691**
Finance costs		
Interest expense on loans	**(272)**	(209)
Increase in allowance for doubtful accounts receivable	**(226)**	—
Net foreign exchange loss	—	(109)
Interest expense on finance leases	**(23)**	(24)
Loss on write-off of accounts receivable	**(32)**	—
Finance costs	**(553)**	**(342)**
Net finance income recognised in profit or loss	**1 164**	**349**

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

mln RUB	2014	2013
Borrowing costs capitalised during the year	**1 324**	1 367
Weighted average capitalisation rate	**11,7%**	11,1%

During the year ended 31 December 2014, borrowing costs that have been capitalised into the cost of real estate properties under construction in the amount of RUB 1 024 million (year ended 31 December 2013: RUB 779 million), were included into the cost of sales upon completion of construction and sale of those properties.

12 Income tax expense

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

The Group's applicable tax rate is the income tax rate of 20% for Russian companies (2013: 20%).

mln RUB	2014	2013
Current tax expense		
Current year	**1 707**	1 387
Under-provided/(over-provided) in prior year	**14**	(32)
	1 721	**1 355**
Deferred tax expense		
Origination and reversal of temporary differences	305	478
Income tax expense	**2 026**	**1 833**

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate 20% (2013: 20%):

mln RUB	2014	2013
Profit before tax	**10 395**	8 497
Theoretical income tax at statutory rate of 20%	**2 079**	1 699
Adjustments due to:		
Expenses not deductible and income not taxable for tax purposes, net	**(53)**	134
Income tax expense	**2 026**	**1 833**

13 Property, plant and equipment

During the year ended 31 December 2014, depreciation expense of RUB 271 million (year ended 31 December 2013: RUB 292 million) has been charged to cost of sales, RUB 21 million (year ended 31 December 2013: RUB 35 million) to cost of real estate properties under construction, RUB 4 million (year ended 31 December 2013: RUB 1 million) to selling expenses and RUB 94 million (year ended 31 December 2013: RUB 39 million) to general and administrative expenses.

(a) Security

At 31 December 2014 properties with a carrying amount of RUB 74 million (31 December 2013: RUB 197 million) are subject to a registered debenture to secure bank loans (see note 23).

(b) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2014 the net book value of leased plant and machinery was RUB 243 million (31 December 2013: RUB 262 million). The leased equipment secures lease obligations.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
Cost							
Balance at 1 January 2013	1 188	2 143	108	112	24	83	**3 658**
Additions	98	231	25	21	2	54	**431**
Reclassification from inventories	110	—	—	—	—	—	**110**
Disposals	(49)	(32)	(14)	(14)	—	(15)	**(124)**
Transfer to inventory	(244)	—	—	—	—	—	**(244)**
Transfer to investment property	(344)	—	—	—	—	—	**(344)**
Transfers	7	5	—	—	—	(12)	**—**
Balance at 31 December 2013	**766**	**2 347**	**119**	**119**	**26**	**110**	**3 487**
Balance at 1 January 2014	**766**	**2 347**	**119**	**119**	**26**	**110**	**3 487**
Additions	166	281	26	43	100	37	**653**
Reclassification from inventories	41	—	—	—	—	255	**296**
Disposals	(69)	(57)	(15)	(8)	—	—	**(149)**
Transfers	95	1	—	—	—	(96)	**—**
Balance at 31 December 2014	**999**	**2 572**	**130**	**154**	**126**	**306**	**4 287**
Depreciation and impairment losses							
Balance at 1 January 2013	(228)	(933)	(35)	(82)	—	—	**(1 278)**
Depreciation for the year	(112)	(221)	(18)	(16)	—	—	**(367)**
Disposals	77	22	7	14	—	—	**120**
Balance at 31 December 2013	**(263)**	**(1 132)**	**(46)**	**(84)**	**—**	**—**	**(1 525)**
Balance at 1 January 2014	(263)	(1 132)	(46)	(84)	—	—	**(1 525)**
Depreciation for the year	(109)	(241)	(22)	(18)	—	—	**(390)**
Disposals	61	52	10	8	—	—	**131**
Balance at 31 December 2014	**(311)**	**(1 321)**	**(58)**	**(94)**	**—**	**—**	**(1 784)**
Carrying amounts							
At 1 January 2013	960	1 210	73	30	24	83	**2 380**
At 31 December 2013	503	1 215	73	35	26	110	**1 962**
At 1 January 2014	503	1 215	73	35	26	110	**1 962**
At 31 December 2014	688	1 251	72	60	126	306	**2 503**

14 Investment property

mln RUB	2014	2013
Cost		
Balance at 1 January	**1 469**	—
Transfers from property, plant and equipment (see Note 13)	**—**	344
Transfers (to)/from inventories	**(6)**	1 125
Balance at 31 December	**1 463**	**1 469**
Accumulated depreciation and impairment losses		
Balance at 1 January	**(327)**	—
Transfers from property, plant and equipment (see Note 13)	**—**	(20)
Depreciation for the year	**(48)**	(11)
Impairment loss	**(280)**	(296)
Balance at 31 December	**(655)**	**(327)**
Carrying amount at 1 January	**1 142**	**—**
Carrying amount at 31 December	**808**	**1 142**

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

The Group determines fair value of its investment properties on an annual basis by engaging an independent valuer. As at 31 December 2014 fair value amounted to RUB 808 million, which was determined based on discounted cash flows from the use of the property using the income approach. During the year ended 31 December 2014 the Group has recognised an impairment loss of RUB 280 million for properties, which carrying amounts exceeded fair value (year ended 31 December 2013: RUB 296 million).

15 Other long-term investments

mln RUB	2014	2013
Bank promissory notes	**765**	234
Loans, at amortised cost	**31**	31
Bank deposits	**240**	—
Other	**—**	10
	1 036	275

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

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
mln RUB	2014	2013	2014	2013	2014	2013
Property, plant and equipment	**133**	91	(310)	(290)	(177)	(199)
Investments	**13**	13	—	—	13	13
Inventories	**1 211**	658	(102)	(493)	1 109	165
Trade and other receivables	**394**	124	(2 696)	(1 178)	(2 302)	(1 054)
Deferred expenses	**28**	93	(311)	(63)	(283)	30
Loans and borrowings	**15**	16	(5)	(6)	10	10
Provisions	**337**	72	25	15	362	87
Trade and other payables	**734**	559	(189)	(28)	545	531
Tax loss carry-forwards	**98**	95	(1)	(1)	97	94
Other	**69**	70	(14)	(13)	55	57
Tax assets/(liabilities)	**3 032**	1 791	(3 603)	(2 057)	(571)	(266)
Set off of tax	**(2 147)**	(1 231)	2 147	1 231	—	—
Net tax assets/(liabilities)	**885**	**560**	**(1 456)**	**(826)**	**(571)**	**(266)**

(b) Unrecognised deferred tax liability

At 31 December 2014 a deferred tax liability of RUB 1 597 million (31 December 2013: RUB 1 354 million) arising on temporary differences of RUB 31 944 million (31 December 2013: RUB 27 083 million) related to investments in subsidiaries was not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(c) Movement in temporary differences during the period

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

mln RUB	1 January 2013	Recognised in profit or loss	Acquired	31 December 2013
Property, plant and equipment	**(29)**	(174)	4	(199)
Investments	**11**	2	—	13
Inventories	**(13)**	178	—	165
Trade and other receivables	**(848)**	(206)	—	(1 054)
Deferred expenses	**42**	(12)	—	30
Loans and borrowings	**10**	—	—	10
Provisions	**232**	(145)	—	87
Trade and other payables	**649**	(118)	—	531
Tax loss carry-forwards	**96**	(2)	—	94
Other	**58**	(1)	—	57
	208	**(478)**	**4**	**(266)**

17 Inventories

mln RUB	2014	2013
Own flats under construction	**25 048**	23 641
Own flats	**18 148**	14 659
Built-in commercial premises under construction	**4 293**	4 024
Built-in and stand-alone commercial premises	**2 190**	1 658
Parking places under construction	**5 898**	3 889
Parking places	**1 649**	1 427
Construction materials	**645**	615
Other	**126**	150
	57 997	**50 063**
Less: Allowance for obsolete inventory	**(472)**	(6)
Total	**57 525**	**50 057**

Project 1

During the year ended 31 December 2010, the Group acquired rights on a land plot for the consideration of RUB 473 million and included it into Own flats under construction. In addition to that, the Group has to transfer to the Seller certain number of flats (up to 20%) to be constructed on this land plot. The final number of flats will be determined taking into account the cost of social infrastructure. At the financial statement date the cost of social infrastructure cannot be determined with sufficient reliability. As a result, the overall cost of flats to be transferred to the Seller of the land plot cannot be determined reliably, consequently no obligation was recognized.

Project 2

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

Project 3

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

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

Accordingly, by 31 December 2014 the cost of land plots (Project 2 and Project 3) measured as described above and related to sold premises was recognised in cost of sales of 2013 and 2014 in the amount of RUB 2 828 million, the remaining balance of RUB 2 466 million is included to finished goods and RUB 1 709 million to inventories under construction.

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

The following is movement in the allowance for obsolete inventory:

mln RUB	2014	2013
Balance at the beginning of the year	**6**	304
Provision for item of inventory transferred to investment property	**—**	(296)
Change in allowance for obsolete inventory	**466**	(2)
Balance at end of the year	**472**	**6**

As at 31 December 2014 the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 472 million (2013: RUB 6 million) and the respective allowance was recognised in other expenses, see note 9. The allowance relates mainly to slow-moving parking places.

In June 2013, the Group transferred an item of stand-alone commercial property with a gross book value of RUB 934 million and accumulated impairment loss of RUB 296 million from inventories to investment property, see note 14.

The Group has temporarily rented out part of certain items of property classified as inventories in these consolidated financial statements. The total carrying value of these items of property was RUB 1 174 million as at 31 December 2014 (31 December 2013: RUB 914 million). The Group is actively seeking buyers for these properties.

Inventories with a carrying amount of RUB 2 522 million (31 December 2013: RUB 5 796 million) are pledged as security for borrowings, see note 23.

18 Trade and other receivables

mln RUB	2014	2013
Long-term		
Trade receivables	**2 360**	1 254
Advances paid to suppliers	**10**	41
Other receivables	**151**	37
	2 521	**1 332**
Short-term		
Advances paid to suppliers	**6 920**	5 589
VAT recoverable	**1 818**	3 586
Trade receivables	**5 721**	3 103
Income tax receivable	**159**	103
Unbilled receivables	**507**	2 345
Trade receivables due from related parties	**32**	49
Other taxes receivable	**10**	6
Other receivables due from related parties	**2**	—
Other receivables	**205**	371
	15 374	**15 152**
Less: Allowance for doubtful accounts receivable	**(300)**	(74)
Short-term less allowance	**15 074**	**15 078**
Total	**17 595**	**16 410**

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

19 Short-term investments

mln RUB	2014	2013
Bank deposits (over 3 months)	**784**	4 898
Bank promissory notes	**385**	69
Other	**52**	41
	1 221	**5 008**

As at 31 December 2014 bank promissory notes in the amount of RUB 385 million are pledged as security for fulfilment of obligations under construction contract recognised within the segment “Construction services” (as at 31 December 2013: RUB 69 million).

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

20 Cash and cash equivalent

mln RUB	2014	2013
Cash in banks, in USD	**2 936**	3 601
Cash in banks, in RUB	**1 499**	1 522
Cash in banks, in EUR	**1 935**	228
Petty cash	**25**	16
Cash in transit	**17**	3
Short-term deposits (less than 3 months)	**8 219**	2 769
Total	**14 631**	**8 139**

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

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

21 Capital and reserves

(a)Share capital

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

	Ordinary shares	
Number of shares unless otherwise stated	2014	2013
Authorised shares		
Par value at beginning of year	**0,00005 GBP**	0,00005 GBP
On issue at beginning of year	**292 029 971**	292 029 971
Par value at end of year	**0,00005 GBP**	0,00005 GBP
Own shares distributed	**100 000**	—
On issue at end of year, fully paid	**292 129 971**	**292 029 971**

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

(b)Own shares

On 23 November 2011, the independent shareholders of the Company approved the purchase of Global Depositary Receipts (GDR's) representing ordinary shares of the Company of up to 9,25% of the Company's issued share capital. The Programme commenced on 24 November 2011 and was indefinitely suspended on 12 March 2012. As at 31 December 2014, the Group has acquired 2 828 000 own shares or 1% of issued share capital (as at 31 December 2013: 2 928 000 own shares or 1% of issued share capital) for the consideration of RUB 456 million (as at 31 December 2013: RUB 472 million).

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

(c) Dividends

As the majority of the Company's subsidiaries are incorporated in the Russian Federation, and in accordance with Russian legislation, the subsidiaries' distributable reserves are limited to the balance of retained earnings as recorded in their statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2014, the total of subsidiaries' retained earnings, including the profits for the current period were RUB 31 944 million (31 December 2013: RUB 26 973 million). Dividends in amount RUB 1 124 million have been declared and paid by the Company during the year ended 2014, no dividends have been declared and paid by the Company during the year ended 2013.

(d) Non-controlling interest in subsidiaries

During the year ended 31 December 2014 and 2013 the Group has acquired and disposed of certain interests in a number of its subsidiaries. The transactions resulted in a decrease of non-controlling interest of RUB 60 million during the year ended 31 December 2014 and in a decrease in non-controlling interest of RUB 56 million during the year ended 31 December 2013.

22 Earnings per share

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

Number of shares unless otherwise stated	2014	2013
Issued shares at 1 January	**292 029 971**	292 029 971
Effect of own shares distributed	**66 576**	—
Weighted average number of shares for year ended 31 December	**292 096 547**	**292 029 971**
Profit attributable to the owners of the Company, mln RUB	**8 345**	6 629
Basic and diluted earnings per share (RUB)	**28,57**	22,70

23 Loans and borrowings

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

mln RUB	2014	2013
Non-current liabilities		
Secured bank loans	**2 995**	2 261
Unsecured bank loans	**4 980**	2 935
Unsecured bond issues	**4 436**	4 980
	12 411	**10 176**
Current liabilities		
Current portion of secured bank loans	**1 037**	1 705
Current portion of unsecured bank loans	**2 267**	1 313
Current portion of unsecured bond issues	**576**	25
	3 880	**3 043**

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2014		2013	
mln RUB	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured bank loans				**4 032**	**4 032**	**3 966**	**3 966**
Secured bank loan	EUR	EURIBOR 6M+5,25%	2014	—	—	752	752
Secured bank loan	RUB	12,00%	2014	—	—	108	108
Secured bank loan	RUB	12,25%	2014	—	—	395	395
Secured bank loan	RUB	11,50%	2015	56	56	146	146
Secured bank loan	RUB	12,00%	2015	328	328	1 856	1 856
Secured bank loan	RUB	12,00%	2015	237	237	603	603
Secured bank loan	RUB	11,50%	2016	1 117	1 117	106	106
Secured bank loan	RUB	13,00%	2017	671	671	—	—
Secured bank loan	RUB	12,40%	2021	500	500	—	—
Secured bank loan	RUB	12,40%	2021	1 123	1 123	—	—
Unsecured bank loans				**7 247**	**7 247**	**4 248**	**4 248**
Unsecured bank loan	EUR	EURIBOR 6M+3,85%	2014	—	—	486	486
Unsecured bank loan	RUB	13,00%	2014	—	—	22	22
Unsecured bank loan	USD	LIBOR 3M+6,5%	2014	—	—	589	589
Unsecured bank loan	RUB	11,00%	2014	—	—	30	30
Unsecured bank loan	EUR	EURIBOR 6M+3,2%	2015	1 384	1 384	1 821	1 821
Unsecured bank loan	RUB	9,50%	2015	203	203	1 200	1 200
Unsecured bank loan	RUB	19,69%	2015	2	2	—	—
Unsecured bank loan	RUB	12,75%	2016	578	578	—	—
Unsecured bank loan	RUB	11,95%	2016	679	679	—	—
Unsecured bank loan	RUB	18,00%	2017	400	400	—	—
Unsecured bank loan	RUB	18,00%	2017	600	600	—	—
Unsecured bank loan	RUB	14,00%	2017	201	201	—	—
Unsecured bank loan	RUB	MosPrime 6M+3,5%	2017	1 200	1 200	100	100
Unsecured bank loan	RUB	12,10%	2018	500	500	—	—
Unsecured bank loan	RUB	17,50%	2018	1 500	1 500	—	—
Unsecured bond issues				**5 027**	**5 012**	**5 025**	**5 005**
Unsecured bonds	RUB	12,90%	2017	5 027	5 012	5 025	5 005
				16 306	**16 291**	**13 239**	**13 219**

Bank loans are secured by:

- buildings with a carrying amount of RUB 74 million (31 December 2013: RUB 197 million), see note 13;
- inventories with a carrying amount of RUB 2 522 million (31 December 2013: RUB 5 796 million), see note 17;
- bank promissory notes with a carrying amount of RUB 723 million (31 December 2013: nil);
- pledge of 32% of shares in a subsidiary company CJSC "Zatonskoe" (31 December 2013: pledge of 32% of shares in a subsidiary company CJSC "Zatonskoe", pledge of 100% of shares in a subsidiary company LLC "ZHK Moskovskiy").

The bank loans are subject to certain restrictive covenants, which are calculated based on the individual financial statements of certain entities of the Group. None of the restrictive covenants have been breached during the reporting period.

24 Provisions

mln RUB	Warranties	Provision for deferred works	Total
Balance at 1 January 2013	**65**	580	645
Provisions made during the year	**29**	2 060	2 089
Provisions used during the year	**(5)**	(975)	(980)
Balance at 31 December 2013	**89**	**1 665**	**1 754**
Balance at 1 January 2014	**89**	1 665	1 754
Provisions made during the year	**30**	4 637	4 667
Provisions used during the year	**(5)**	(4 068)	(4 073)
Balance at 31 December 2014	**114**	**2 234**	**2 348**
Non-current	**114**	—	114
Current	**—**	2 234	2 234
	114	**2 234**	**2 348**

(a)Warranties

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

(b)Provision for deferred works

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

25 Trade and other payables

mln RUB	2014	2013
Long-term		
Trade payables	**667**	539
Finance lease liabilities	**126**	197
Advances from customers	**18**	21
Other payables	**2 043**	28
	2 854	**785**
Short-term		
Advances from customers	**12 051**	14 336
Trade payables	**6 073**	3 399
VAT payable	**1 694**	3 321
Payroll liabilities	**584**	449
Other taxes payable	**214**	169
Billings in excess of work completed	**99**	45
Income tax payable	**380**	248
Finance lease liabilities	**41**	25
Other payables	**324**	308
	21 460	**22 300**
Total	**24 314**	**23 085**

Advances from customers are represented by prepayments for housing and commercial properties made under sales contracts. In case customers cancel sales contracts, advances received by the Group are repaid within 3 months from the moment of cancellation, but withholding 5-10% forfeit.

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

Finance lease liabilities are payable as follows:

	2014			2013		
mln RUB	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	57	16	41	47	22	25
Between one and five years	139	13	126	227	30	197
	196	**29**	**167**	**274**	**52**	**222**

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

mln RUB			2014		2013	
Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
RUB	15,65%; 24,27%	2015–2018	167	167	222	222
			167	**167**	**222**	**222**

26 Financial instruments and risk management

(a) Accounting classifications and fair values

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

mln RUB	Carrying amount			Fair value			
31 December 2014	Loans and receiv-ables	Other financial liabilities	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets not measured at fair value							
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	8 761	—	**8 761**	—	9 024	—	**9 024**
Bank deposits (over 3 months)	1 024	—	**1 024**	—	1 053	—	**1 053**
Bank promissory notes	1 150	—	**1 150**	—	1 150	—	**1 150**
Cash and cash equivalents	14 631	—	**14 631**	—	14 631	—	**14 631**
	25 556	**—**	**25 566**	**—**	**25 858**	**—**	**25 858**
Financial liabilities not measured at fair value							
Secured bank loans	—	(4 032)	**(4 032)**	—	(3 677)	—	**(3 677)**
Unsecured bank loans	—	(7 247)	**(7 247)**	—	(6 920)	—	**(6 920)**
Unsecured bond issues	—	(5 012)	**(5 012)**	(4 200)	—	—	**(4 200)**
Trade and other payables	—	(22 026)	**(22 026)**	—	(20 900)	—	**(20 900)**
	—	**(38 317)**	**(38 317)**	**(4 200)**	**(31 497)**	**—**	**(35 697)**

mln RUB	Carrying amount			Fair value			
31 December 2013	Loans and receiv-ables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value							
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	7 157	—	**7 157**	—	7 157	—	**7 157**
Bank deposits (over 3 months)	4 898	—	**4 898**	—	4 898	—	**4 898**
Bank promissory notes	303	—	**303**	—	303	—	**303**
Cash and cash equivalents	8 139	—	**8 139**	—	8 139	—	**8 139**
	20 497	**—**	**20 497**	**—**	**20 497**	**—**	**20 497**
Financial liabilities not measured at fair value							
Secured bank loans	—	(3 966)	**(3 966)**	—	(3 966)	—	**(3 966)**
Unsecured bank loans	—	(4 248)	**(4 248)**	—	(4 248)	—	**(4 248)**
Unsecured bond issues	—	(5 005)	**(5 005)**	(5 425)	—	—	**(5 425)**
Trade and other payables	—	(19 347)	**(19 347)**	—	(19 347)	—	**(19 347)**
	—	**(32 566)**	**(32 566)**	**(5 425)**	**(27 561)**	**—**	**(32 986)**

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

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

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

Risk management framework

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

(b) Credit risk

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

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

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

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has no customer accounting individually for more than 10% of the Group's balance of trade and other receivables as at 31 December 2014 (31 December 2013: none).

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

(ii) Guarantees

As at 31 December 2014 the Group had not provided any financial guarantees to entities outside the Group (31 December 2013: nil).

(iii) Exposure to credit risk

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

	Carrying amount	
mln RUB	2014	2013
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	**9 911**	7 460
Bank deposits (over 3 months)	**1 024**	4 898
Cash and cash equivalents	**14 631**	8 139
	25 566	**20 497**

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

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

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
mln RUB	2014		2013	
Not past due	**6 467**	**—**	3 351	—
Past due 0-30 days	**621**	**—**	267	—
Past due 31-120 days	**364**	**—**	220	—
Past due more than 120 days	**661**	**(277)**	568	(22)
	8 113	**(277)**	**4 406**	**(22)**

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

mln RUB	2014	2013
Balance at 1 January	**22**	50
Increase during the year	**258**	14
Decrease due to reversal	**(3)**	(42)
Balance at 31 December	**277**	**22**

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

mln RUB	2014	2013
Balance at 1 January	**52**	41
Increase during the year	**17**	33
Decrease due to reversal	**(46)**	(22)
Balance at 31 December	**23**	**52**

(c) Liquidity risk

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

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

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

mln RUB 31 December 2014	Carrying amount	Contrac-tual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial assets									
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	9 911	10 872	5 876	988	1 256	762	282	241	1 467
Bank deposits (over 3 months)	1 024	1 177	748	100	45	284	—	—	—
Cash and cash equivalents	14 631	14 631	14 631	—		—	—	—	—
	25 566	**26 680**	**21 255**	**1 088**	**1 301**	**1 046**	**282**	**241**	**1 467**

	Carrying amount	Contrac-tual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities									
Secured bank loans	4 032	5 247	897	613	1 353	837	626	329	592
Unsecured bank loans	7 247	9 288	1 674	1 402	1 531	3 547	1 134	—	—
Unsecured bond issues	5 012	6 266	320	872	2 655	2 419	—	—	—
Finance lease liabilities	167	196	44	13	75	58	6	—	—
Trade and other payables (excluding taxes payable)	21 859	21 859	18 023	1 106	1 051	1 638	7	15	19
	38 317	**42 856**	**20 958**	**4 006**	**6 665**	**8 499**	**1 773**	**344**	**611**

	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Required funding to be covered by operating and/or financing activities arising from financial instruments	297	(2 918)	(5 364)	(7 453)	(1 491)	(103)	856
Cumulative required funding to be covered by operating and/or financing activities arising from financial instruments	297	(2 621)	(7 985)	(15 438)	(16 929)	(17 032)	(16 176)

mln RUB 31 December 2013	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial assets									
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	7 460	7 460	5 456	448	1 218	227	38	22	51
Bank deposits (over 3 months)	4 898	4 898	4 811	87	—	—	—	—	—
Cash and cash equivalents	8 139	8 139	8 139	—		—	—	—	—
	20 497	**20 497**	**18 406**	**535**	**1 218**	**227**	**38**	**22**	**51**

	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities									
Secured bank loans	3 966	4 681	591	1 585	2 308	197	—	—	—
Unsecured bank loans	4 248	4 467	494	972	1 063	1 832	106	—	—
Unsecured bond issues	5 005	6 936	345	325	1 192	2 655	2 419	—	—
Finance lease liabilities	222	274	14	33	88	75	58	6	—
Trade and other payables (excluding taxes payable)	19 125	19 126	15 924	2 614	181	390	10	2	5
	32 566	**35 484**	**17 368**	**5 529**	**4 832**	**5 149**	**2 593**	**8**	**5**

	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Required funding to be covered by operating and/or financing activities arising from financial instruments	1 038	(4 994)	(3 614)	(4 922)	(2 555)	14	46
Cumulative required funding to be covered by operating and/or financing activities arising from financial instruments	1 038	(3 956)	(7 570)	(12 492)	(15 047)	(15 033)	(14 987)

(d) Market risk

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

(i) Currency risk

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

mln RUB	USD-denominated 2014	EUR-denominated 2014	USD-denominated 2013	EUR-denominated 2013
Cash and cash equivalents and bank deposits (over 3 months)	2 936	1 935	3 601	228
Loans and borrowings	—	(1 384)	(589)	(3 059)
Net exposure	2 936	551	3 012	(2 831)

The following significant exchange rates applied during the period:

	Average rate		Reporting date spot rate	
in RUB	2014	2013	31 December 2014	31 December 2013
USD 1	**38,36**	31,91	**56,26**	32,73
EUR 1	**50,77**	42,40	**68,34**	44,97

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss before taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
mln RUB	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
2014				
Variable rate instruments	(26)	26	(26)	26
Cash flow sensitivity (net)	(26)	26	(26)	26
2013				
Variable rate instruments	(36)	36	(36)	36
Cash flow sensitivity (net)	(36)	36	(36)	36

(ii) Interest rate risk

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

Profile

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

	Carrying amount	
mln RUB	2014	2013
Fixed rate instruments		
Financial assets	**19 196**	14 322
Financial liabilities	**(13 874)**	(9 693)
	5 322	**4 629**
Variable rate instruments		
Financial liabilities	**(2 584)**	(3 748)
	(2 584)	**(3 748)**

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

(e) Fair values versus carrying amounts

Management believes that the fair values of its financial assets and liabilities approximate their carrying amounts as at 31 December 2013. Fair value of financial assets and liabilities as at 31 December 2014 are disclosed in 26 (a).

(f) Capital management

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

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

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

mln RUB	2014	2013
Total borrowings	**16 291**	**13 219**
Less: cash and cash equivalents	**(14 631)**	(8 139)
Less: bank deposits (over 3 months), note 19	**(1 024)**	(4 898)
Net debt	**636**	182
Total equity	**51 871**	**44 686**
Debt to capital ratio at period end	**0,012**	0,004

Finance lease liabilities RUB 167 million at 31 December 2014 (RUB 222 million at 31 December 2013) are included in trade and other payables (see note 25) and are not included in the total amount of borrowings.

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

mln RUB	2014	2013
Less than one year	**43**	16
Between one and five years	**66**	47
More than five years	**324**	313
	433	**376**

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

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

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

During the year ended 31 December 2014 the amount of RUB 46 million (year ended 31 December 2013: RUB 40 million) was recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases, while RUB 4 million (year ended 31 December 2013: RUB 14 million) were capitalised into the cost of residential and commercial premises under construction.

28 Capital commitments

As at 31 December 2014 the Group does not have any capital commitments (31 December 2013: nil).

29 Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

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

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

30 Related party transactions

(a) Transactions with management

(i) Management remuneration

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

mln RUB	2014	2013
Salaries and bonuses	**467**	317
	467	**317**

(ii) Other transactions

Sales to key management personnel are disclosed below:

	Transaction value		Outstanding balance	
mln RUB	2014	2013	2014	2013
Sale of apartments and premises	**93**	92	32	77
	93	**92**	**32**	**77**

(b) Transactions with other related parties

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

(i) Revenue

	Transaction value		Outstanding balance	
mln RUB	2014	2013	2014	2013
Other related parties	**31**	33	5	5
	31	**33**	**5**	**5**

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

(ii) Expenses

	Transaction value		Outstanding balance	
mln RUB	2014	2013	2014	2013
Other related parties	**72**	43	(14)	3
	72	**43**	**(14)**	**3**

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

(iii) Loans

mln RUB	Amount loaned 2014	Amount loaned 2013	Outstanding balance 2014	Outstanding balance 2013
Loans received:				
Other related parties	—	—	1	(1)
	—	**—**	**1**	**(1)**

During the year ended 31 December 2014 loans bore interest rates of 0,5% per annum.

31 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	31 December 2014	31 December 2013
CJSC "GK Etalon"	Russian Federation	100,00%	100,00%
CJSC "Aktiv"	Russian Federation	100,00%	100,00%
CJSC "TSUN LenSpetsSMU"	Russian Federation	100,00%	100,00%
CJSC "SSMO LenSpetsSMU"	Russian Federation	100,00%	100,00%
CJSC "Novator"	Russian Federation	100,00%	90,00%
CJSC "LenSpetsSMU-Reconstruktsiya"	Russian Federation	100,00%	90,00%
LLC "Etalon-Invest"	Russian Federation	100,00%	100,00%
CJSC "Zatonskoe"	Russian Federation	99,80%	99,80%
LLC "SPM-Zhilstroy"	Russian Federation	100,00%	100,00%
CJSC "Slavyanskiy Stroitel"	Russian Federation	100,00%	100,00%

As at 31 December 2014 the Group controlled 133 legal entities (31 December 2013: 121). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements. The above is a list of the most significant subsidiaries.

Structured entities

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

32 Events subsequent to the reporting date

(a)Financing events

Subsequent to the reporting date the Group has repaid loans and borrowings outstanding as at 31 December 2014 for the total amount of RUB 298 million.

Subsequent to the reporting date the Group has obtained an additional tranche of a loan for the total amount of RUB 31 million with the interest rate of 14,5 % (repayable at 2016), additional tranche of a loan for the total amount of RUB 1 127 million with the interest rate of 15,8% (repayable at 2017), additional tranche of a loan for the total amount of RUB 300 million with the interest rate of 18,98% (repayable at 2017).