PJSC PIK Group
Consolidated Financial Statements
for 2015
and Auditors’ Report

Contents

Consolidated Statement of Financial Position

In million RUB	Note	2015	2014 (restated)	2013 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	11	7,752	8,594	9,049
Intangible assets		144	168	220
Investments in equity accounted investees		170	174	257
Other investments		169	57	7
Deferred tax assets	13	1,211	1,473	887
Total non-current assets		**9,446**	**10,466**	**10,420**
Current assets				
Inventories	14	69,933	64,861	86,086
Other investments		-	2	30
Income tax receivable		346	678	334
Trade and other receivables	15	9,958	6,702	9,272
Cash and cash equivalents		17,022	14,239	11,089
Total current assets		**97,259**	**86,482**	**106,811**
Total assets		**106,705**	**96,948**	**117,231**
EQUITY AND LIABILITIES				
Equity	16			
Share capital		41,295	41,295	41,295
Additional paid-in capital		(8,470)	(8,470)	(8,470)
Retained earnings		(886)	(12,058)	(12,750)
Total equity attributable to equity owners of the Company		**31,939**	**20,767**	**20,075**
Non-controlling interests	21	808	546	548
Total equity		**32,747**	**21,313**	**20,623**
Non-current liabilities				
Loans and borrowings	17	12,894	-	3,631
Trade and other payables	18	988	249	2
Deferred tax liabilities	13	1,078	1,412	1,397
Total non-current liabilities		**14,960**	**1,661**	**5,030**
Current liabilities				
Loans and borrowings	17	270	24,487	25,469
Trade and other payables	18	50,319	38,709	53,198
Provisions	19	7,801	10,530	12,695
Income tax payable		608	248	216
Total current liabilities		**58,998**	**73,974**	**91,578**
Total liabilities		**73,958**	**75,635**	**96,608**
Total equity and liabilities		**106,705**	**96,948**	**117,231**

These consolidated financial statements were approved by Management on 30 March 2016 and were signed on its behalf by:

Sergey E. Gordeev
President

Alexander V. Titov
Vice-President, Economics and Finance

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 7 to 46.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In million RUB	**Note**	**2015**	**2014**
Revenue	6	51,132	61,260
Cost of sales		(33,495)	(45,240)
Gross profit		**17,637**	**16,020**
Gain on disposal of subsidiaries and development rights, net	8	91	88
Distribution expenses		(1,600)	(938)
Administrative expenses		(3,645)	(3,335)
Impairment losses, net	12	(630)	(5,202)
Other expenses, net		(285)	(154)
Results from operating activities		**11,568**	**6,479**
Finance income	9	5,615	1,067
Finance costs	9	(3,949)	(3,166)
Net finance income/ (costs)		**1,666**	**(2,099)**
Share of profit of equity accounted investees (net of income tax)		48	27
Profit before income tax		**13,282**	**4,407**
Income tax expense	10	(1,833)	(615)
Profit and total comprehensive income for the year		**11,449**	**3,792**
Attributable to:			
Owners of the Company		11,172	3,440
Non-controlling interests		277	352
Profit and total comprehensive income for the year		**11,449**	**3,792**
Basic and diluted profit per share, RUB	16	**16.91**	**5.21**

The consolidated statement of profit and 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 7 to 46.

Consolidated Statement of Changes in Equity

	Attributable to equity owners of the Company					
In million RUB	**Share capital**	**Additional paid-in-capital**	**Retained earnings**	**Subtotal**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2014	**41,295**	**(8,470)**	**(12,750)**	**20,075**	**548**	**20,623**
Profit and total comprehensive income for the year	-	-	3,440	**3,440**	352	**3,792**
Transactions with owners of the Company						
Dividends declared to owners of the Company (note 16)	-	-	(2,748)	**(2,748)**		**(2,748)**
Dividends declared by subsidiaries to non-controlling interest	-	-	-	**-**	(354)	**(354)**
Total transactions with owners	**-**	**-**	**(2,748)**	**(2,748)**	**(354)**	**(3,102)**
Balance as at 31 December 2014	**41,295**	**(8,470)**	**(12,058)**	**20,767**	**546**	**21,313**
Balance as at 1 January 2015	**41,295**	**(8,470)**	**(12,058)**	**20,767**	**546**	**21,313**
Profit and total comprehensive income for the year	-	-	11,172	**11,172**	277	**11,449**
Transactions with owners of the Company						
Disposal of subsidiaries	-	-	-	-	(15)	**(15)**
Balance as at 31 December 2015	**41,295**	**(8,470)**	**(886)**	**31,939**	**808**	**32,747**

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 7 to 46.

Consolidated Statement of Cash Flows

In million RUB	2015	2014 (restated)
OPERATING ACTIVITIES		
Profit for the year	**11,449**	**3,792**
Adjustments for:		
Depreciation and amortisation	1,124	737
Impairment losses and reversal of impairment losses including those in cost of sales, net	746	5,704
Impairment losses/(reversal of impairment) on financial assets, net	208	(159)
Gain on disposal of subsidiaries	(20)	(42)
Gain on disposal of other investments	-	(37)
Loss/(gain) on disposal of property, plant and equipment and other assets	122	(65)
Foreign exchange gains, net	(4,015)	(34)
Write-off of accounts payable	(225)	(70)
Share of profit of equity accounted investees	(48)	(27)
Change in non-controlling interest in limited liability companies	(37)	19
Interest expense	3,741	3,147
Interest income	(1,338)	(778)
Income tax expense	1,833	615
Cash from operating activities before changes in working capital and provisions	**13,540**	**12,802**
(Increase)/decrease in inventories	(5,235)	16,825
(Increase)/decrease in trade and other receivables	(4,178)	2,247
Increase/(decrease) in trade and other payables	12,452	(14,641)
Decrease in provision for cost to complete	(2,101)	(1,393)
Cash flows from operations before income taxes and interest paid	**14,478**	**15,840**
Income tax paid	(1,793)	(2,270)
Interest paid	(3,489)	(3,494)
Net cash from operating activities	**9,196**	**10,076**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	126	135
Interest received	1,333	716
Acquisition of property, plant and equipment and other intangible assets	(467)	(428)
Acquisition of subsidiaries, net of cash acquired	-	(392)
Acquisition of other investments, net	(112)	-
Other proceeds, net	-	79
Proceeds from disposal of subsidiaries	395	44
Net cash from investing activities	**1,275**	**154**
FINANCING ACTIVITIES		
Proceeds from borrowings	-	25,192
Repayment of borrowings	(16,575)	(29,392)
Proceeds from issue of long-term bonds, net of related expenses	14,905	-
Repurchase of long-term bonds	(10,000)	-
Repurchase of non-controlling interests	(5)	-
Dividends paid by a subsidiary to non-controlling interests	-	(132)
Dividends paid to owners of the Company	-	(2,748)
Net cash used in financing activities	**(11,675)**	**(7,080)**
Net increase in cash and cash equivalents	(1,204)	3,150
Effect of exchange rate fluctuations on cash and cash equivalents	3,987	-
Cash and cash equivalents at beginning of year	14,239	11,089
Cash and cash equivalents at end of year	**17,022**	**14,239**

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 7 to 46.

1 Background

(a) Organisation and operations

PJSC PIK Group (the "Company") and its subsidiaries (together referred to as the "Group") comprise closed and open joint stock companies and limited liability companies incorporated under requirements of the Civil Law of the Russian Federation and entities registered in Cyprus, Netherlands and in the British Virgin Islands. The Company was established as a privately owned enterprise in 1994. Since 1 June 2007 the Company's shares are traded on the London Stock Exchange (in the form of global depositary receipts) and Moscow Exchange (MOEX) in Russia.

In July 2015, the Company changed its legal form from OAO to PJSC (Public Joint Stock Company) following the requirements of the amended Russian Civil Code.

The Company's registered office is 19 Barrikadnaya st., Moscow, 123242, Russian Federation.

The primary activities of the Group are investing in development projects for construction of residential buildings and sales of real estate properties; construction services; production of construction materials, including concrete panels, window frames and other construction elements. During 2015 and 2014 the Group primarily operated in Moscow, Moscow region and other regions of Russia.

As at 31 December 2015, entities affiliated with Sergey Gordeev, Group CEO, owned 29.9% of the Company's ordinary shares.

(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 have 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 facilities. 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 long 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").

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

(b) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the functional currency of the Company and its subsidiaries and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million.

The results and financial position of subsidiaries whose functional currency is different from the presentation currency are translated into presentation currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

(c) 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 on-going 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 is included in the following notes:

- Note 12 *Impairment losses on non-financial assets and write down of inventories;*
- Note 15 *Trade and other receivables;*
- Note 19 *Provisions;*
- Note 6 *Revenue;*
- Note 13 *Deferred tax assets and liabilities;*
- Note 22 *Contingencies.*

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 12 *Impairment losses on non-financial assets and write down of inventories;*
- Note 19 *Provisions.*

(d) Change in accounting policy

In 2015 the Group reviewed its operating cycle and reconsidered the timing of initiating the projects. Management believes that the Group commences the project starting from acquiring the land plots and/or land rights intended for commencement of development. Therefore the respective costs of acquisition of development rights and predevelopment costs are recognized immediately within inventories. Management believes that the new approach better reflects the operating cycle of the Group and the nature of development rights.

The change in accounting policy was applied retrospectively by restating comparative information in the Consolidated Statement of Financial Position as at 1 January 2014 and 31 December 2014 and Consolidated Statement of Cash Flows for 2014. As a result, intangible assets decreased and inventories increased by RUB 17,263 million (2013: RUB 19,849 million), net cash used in investing activities and net cash from operating activities for 2014 decreased by RUB 2,097 million (2013: RUB 3,410 million). Items of the Statement of profit and loss and other comprehensive income and earnings per share have not been affected.

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. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of consolidation

(i) Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

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

Acquisitions of controlling shareholdings in entities in which there is no integrated set of activities conducted and assets are managed for the purpose of providing a return to investors, are accounted for as purchases of assets. The consideration paid for such companies (typically entities holding development rights) is allocated to the identifiable assets and liabilities based on their relative fair values.

(iii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

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

Transactions in foreign currencies are translated to the respective functional currencies 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. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(c) Financial instruments

(i) Non-derivative financial instruments

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers 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 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 classifies non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are a category of 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 category comprise the following classes of assets: loans issued, trade and other receivables as presented in note 15.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

(ii) Non-derivative financial liabilities

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 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 classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the carrying value of a financial liability amortized cost and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period. Expenses are recognized on an effective interest basis for debt instruments over the relevant period.

Other financial liabilities comprise loans and borrowings as presented in note 17, bank overdrafts, and trade and other payables as presented in note 18.

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 statement of cash flows.

(d) Share capital

Ordinary shares

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

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2004, the date of transition to IFRSs, was determined by reference to its fair value at that date.

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 capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(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

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

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 20-60 years;
- plant and equipment 5-25 years;

- fixtures and fittings 5-10 years.

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

(f) Intangible assets

(i) Intangible assets

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

(ii) Subsequent expenditure

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

(iii) Amortisation

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are 3 to 10 years.

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

(g) Leased assets

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

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(h) Inventories

Inventories include construction work in progress when the Group acts in the capacity of a developer and the real estate is intended for sale, and prepayments made under investment and co-investment agreements for apartments intended for sale, raw materials, other work in progress, finished goods and development rights.

Inventories are stated 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.

The cost of real estate properties under construction is determined on the basis of their specifically identified individual costs. These costs are allocated to completed individual apartments on a prorata 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.

The Group enters into investment or co-investment agreements to develop residential buildings with local authorities. Such investment contracts may require that the Group:

- for no consideration delivers certain properties to the local authorities upon completion of the construction, e.g., schools, kindergartens, etc.
- constructs certain infrastructure facilities in exchange of the ability to develop the properties, e.g., electricity, sewage systems, roads;
- constructs certain objects for public use where the expected compensation from the buyers will not reimburse the Group with the costs to be incurred, e.g., certain parking spaces;
- enters into agreements with local authorities to complete construction of certain residential properties where the apartments had been pre-sold by a predecessor developer to the general public; however, the construction was subsequently stopped due to insolvency of such predecessor developer or other similar reasons.

When such contracts are negotiated with the local authorities as part of acquisition of the development rights, the costs to complete the construction are included in the total costs of construction of properties which these development rights relate to.

The cost of inventories, other than construction work in progress intended for sale and prepayments for real estate properties 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.

Advances made under terms of co-investment contracts represent payments made by or assets transferred from the Group in its capacity of investor or co-investor to finance the construction of real estate, which is developed by a third party.

The Group's normal operating cycle for a construction project may exceed twelve months. Inventories are classified as current assets even when they are not expected to be realised within twelve months after the balance sheet date.

(i) Impairment

Non-derivative 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 (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to-maturity investment securities

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. 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.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

(j) Employee benefits

(i) Contributions to state pension fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan, which are due more than 12 months after the end of the period in which the employees render the service, are discounted to their present value.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(k) Provisions

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

(i) Tax provisions

The Group provides for tax exposures including interest and penalties, when the tax becomes payable according to the effective laws and regulations. Such provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax authorities. Upon expiry of the review period the provisions are released. Tax provisions are recognised as part of income tax expense or cost of sales.

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(l) Revenues

(i) Revenue from sale of real estate properties

Revenues from sale of real estate properties comprise revenues from sale of standardised apartments, which are constructed without reference to a specific customer's request.

Revenue from the sale of real estate property is measured at the fair value of the consideration received or receivable, net of allowances and trade discounts, if any. Revenue is recognised when 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 property can be estimated reliably, and there is no continuing management involvement with the property, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of real estate properties, transfer usually occurs when the respective building is approved by the State commission established by the local regulating authorities for acceptance of finished buildings ("State commission"). The revenue received in connection with sales of apartments to individuals is recognized when a prepayment is more than 95% of the sale price.

Sales are recognised at prices valid at the date of concluding the sales contract, which may be significantly different from the prices as at the date when the sale is recognised.

(ii) Revenue from construction services

Revenues from construction comprise construction services which are rendered to a specific customer's request.

Revenue from construction services rendered is recognised in the profit or loss on a monthly basis according to the following principles:

- If the outcome of a construction contract can be estimated reliably the contract revenue is recognised in proportion to the stage of completion of the contract. The Management believes that, the outcome of a construction contract is deemed reliable when the actual costs to budgeted costs exceed certain threshold.
- If the ratio of actual costs to budgeted costs is below the threshold the revenue is recognized only to the extent of contract costs incurred that are probable to be recoverable.

The stage of completion is assessed monthly as a ratio of actual costs to budgeted costs and fixed in acts of completed works signed by the Group and the customer. The Group provides for estimated losses on uncompleted contracts in the period, in which such losses are identified.

There are certain construction projects, where one Group entity participates as an investor/co-investor while a third party acts as a developer. At the same time other Group entities may provide construction services to the developer. Revenues from construction services relating to such projects are treated as an intercompany transaction and eliminated against related costs.

(iii) Other sales

Revenue from the sale of construction materials and other sales is recognised in the consolidated statement of comprehensive income when significant risks and rewards of ownership have been transferred to the buyer.

(m) Other expenses

(i) Lease payments

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

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

(ii) Social expenditure

To the extent that the Group’s contributions to social programs benefit the community at large and are not restricted to the Group’s employees, they are recognised in the profit or loss as incurred.

(n) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets, and gains on the remeasurement to fair value of any pre-existing interest in an acquiree. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of financial assets, dividends on preference shares classified as liabilities, and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The Group uses exemption for inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis, therefore borrowing costs related to construction of mass residential premises are not capitalised. Where real estate property is not being actively developed, net rental and finance costs are taken to the profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(o) 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 year, 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 jointly controlled entities 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.

(p) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 5).

(r) Adoption of amended Standards and Interpretation

Standards	**Effective for annual periods beginning on or after**
IAS 16 (Amended) "Property, Plant and Equipment"	1 July 2014
IAS 19 (Amended) "Employee Benefits"	1 July 2014
IAS 24 (Amended) "Related Party Disclosures"	1 July 2014
IAS 38 (Amended) "Intangible Assets"	1 July 2014
IAS 40 (Amended) "Investment Property"	1 July 2014
IFRS 2 (Amended) "Share-based Payment"	1 July 2014
IFRS 3 (Amended) "Business Combinations"	1 July 2014
IFRS 8 (Amended) "Operating Segments"	1 July 2014
IFRS 13 (Amended) "Fair Value Measurement"	1 July 2014

The amended standards and interpretations did not have significant effect on Group's financial statements.

(s) New accounting pronouncements

Adoption of amended Standards and Interpretation

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2015, and have not been applied in preparing this consolidated financial statements.

Standards	**Effective for annual periods beginning on or after**
IAS 1 (Amended) "Presentation of Financial Statements"	1 January 2016
IAS 16 (Amended) "Property, Plant and Equipment"	1 January 2016
IAS 19 (Amended) "Employee Benefits "	1 January 2016
IAS 27 (Amended) "Separate Financial Statements"	1 January 2016
IAS 28 (Amended) "Investments in Associates and Joint Ventures"	1 January 2016
IAS 34 (Amended) "Interim Financial Reporting"	1 January 2016
IAS 38 (Amended) "Intangible Assets"	1 January 2016
IAS 41 (Amended) "Agriculture"	1 January 2016
IFRS 5 (Amended) "Non-current Assets Held for Sale and Discontinued Operations"	1 January 2018
IFRS 7 (Amended) "Financial Instruments: Disclosures"	1 January 2016
IFRS 9 "Financial Instruments"	1 January 2018
IFRS 10 (Amended) "Consolidated Financial Statements"	1 January 2016
IFRS 11 (Amended) "Joint Arrangements"	1 January 2016
IFRS 12 (Amended) "Disclosure of Interests in Other Entities"	1 January 2016
IFRS 14 (Amended) "Regulatory Deferral Accounts"	1 January 2016
IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
IAS 7 (Amended) "Statement of Cash Flows"	1 January 2017
IAS 12 (Amended) "Income Taxes"	1 January 2017
IFRS 16 "Leases"	1 January 2019

The adoption of the pronouncement listed above is not expected to have a significant impact on the Group's consolidated financial statements in future periods except for the standard described below.

IFRS 15 *Revenue from Contracts with Customers* will be effective for annual periods beginning on or after 1 January 2018. The new standard was issued in May 2014. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Group recognises that the new standard introduces many changes to the accounting for revenue and potentially may have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of standard adoption. The Group does not intend to adopt this standard early.

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

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 Revenue from Contacts with Customers is also adopted.

The Group recognizes that the new standard will potentially have a significant impact on Group's consolidated financial statements. The impact of these change will be analysed during the course of standard adoption. The Group does not intend to adopt this standard early.

4 Measurement 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) Trade and other receivables

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

(b) 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. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

The Group has four reportable segments which are the Group's strategic business units:

- *Real estate development*: The implementation of developments planned and undertaken by the Group, including identification of investment opportunities, performance of feasibility studies, obtaining the necessary construction permits, carrying out construction of projects and performing project management activities, and marketing real estate projects to potential buyers.

- *Construction segment*: Contracting activities, production and assembly of prefabricated panel buildings and related activities.
- *Industrial segment:* Production of concrete panels, window frames and other construction materials.
- *Other:* Real estate maintenance services provided to tenants, rental services and other activities.

There are varying levels of integration between the Real estate development, Construction and Industrial reportable segments. This integration includes construction services provided during the construction of the real estate for further reselling, production of construction materials.

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

(i) Segments profit and losses

	Real estate development		Construction segment		Industrial segment		Other		Total	
mln RUB	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
External revenues	42,936	54,282	4,001	2,095	1,538	2,261	2,657	2,622	**51,132**	**61,260**
Inter-segment revenue	410	46	10,320	12,617	1,002	1,178	529	637	**12,261**	**14,478**
Total revenue for reportable segments	**43,346**	**54,328**	**14,321**	**14,712**	**2,540**	**3,439**	**3,186**	**3,259**	**63,393**	**75,738**
Reportable segment gross profit	**16,716**	**14,742**	**63**	**410**	**164**	**174**	**694**	**694**	**17,637**	**16,020**
Gross profit margin	**39%**	**27%**	**2%**	**20%**	**11%**	**8%**	**26%**	**26%**	**34%**	**26%**

During the reporting period ended 31 December 2015 the gross profit of real estate segment includes the positive effect of change in estimates in respect of construction budgets of certain development projects in the total amount of RUB 2,562 million (2014: negative effect of RUB 2,313 million).

(ii) Geographical information

The Real estate development, Construction segment, Industrial segment and Other segments operations are located in Russia and operate in three principal geographical areas: Moscow, the Moscow Region and the Other Regions.

In presenting information on the basis of geography, external revenues of the Real estate development are based on the geographical location of development sites.

	Real estate development	
	2015 mln RUB	**2014 mln RUB**
Moscow	15,591	22,013
Moscow Region	22,623	25,493
Other regions	4,722	6,776
	42,936	**54,282**

(iii) Reconciliations of reportable segment revenues and profit or loss

	2015 mln RUB	**2014 mln RUB**
Reconciliation of Revenue		
Total revenue for reportable segments	63,393	75,738
Elimination of inter-segment revenue	(12,261)	(14,478)
Group Revenue	**51,132**	**61,260**
Gross profit or loss reconciliation		
Reportable segment profit	17,637	16,020
Group Gross profit	**17,637**	**16,020**
Unallocated amounts		
Gain on disposal of subsidiaries and development rights, net	91	88
Distribution expenses	(1,600)	(938)
Administrative expenses	(3,645)	(3,335)
Impairment losses, net	(630)	(5,202)
Other expenses, net	(285)	(154)
Finance income	5,615	1,067
Finance costs	(3,949)	(3,166)
Share of profit of equity accounted investees, net of income tax	48	27
Consolidated profit before income tax	**13,282**	**4,407**

(iv) Major customers

In 2015 and 2014, no customer represented more than 10% of the Group's total revenue.

6 Revenue from sale of apartments

The Group has recognised revenue of RUB 42,931 million (2014: RUB 54,277 million) for the sale of apartments to individuals. Customers have the legal right to cancel the transaction up to the date of signing a final acceptance act. Based on the past experience, the percentage of transactions being reversed at the request of customers from the date when the sale is recognised is significantly lower than 1%. The Group has, therefore, recognised revenue in full amount.

7 Personnel costs

	2015 mln RUB	2014 mln RUB
Salaries and wages		
Cost of sales	4,376	5,089
Administrative expenses	2,056	1,834
Distribution expenses	266	217
	6,698	**7,140**
Social charges		
Cost of sales	1,204	1,533
Administrative expenses	371	256
Distribution expenses	58	42
	1,633	**1,831**
Total	**8,331**	**8,971**

8 Gain on disposal of subsidiaries and developments rights

	2015 mln RUB	2014 mln RUB
Property, plant and equipment	(246)	-
Inventories	(127)	-
Trade and other receivables	(527)	(300)
Deferred tax assets	(40)	-
Deffered tax liabilities	88	-
Trade and other payables	476	298
Other	1	-
Net identifiable assets	**(375)**	**(2)**
Consideration received/receivable	**421**	**44**
Cash and cash equivalents of the disposed subsidiaries	(26)	-
Gain on disposal of subsidiaries, net	**20**	**42**
Gain on disposal of development rights, net	71	46
Gain on disposal of subsidiaries and development rights, net	**91**	**88**

In 2015 and 2014 the Group revised its portfolio of construction projects and decided to sell certain development rights. As a result of disposal the Group recognized profit in the amount of RUB 71 million (2014: RUB 46 million).

9 Finance income and costs

Finance income

	2015 mln RUB	2014 mln RUB
Interest income	1,338	778
Foreign exchange gains, net	4,015	34
Reversal of impairment of financial assets, net	-	159
Write-off of accounts payable	225	70
Other finance income, net	-	26
Change in non-controlling interest in limited liability companies	37	-
	5,615	**1,067**

Finance costs

	2015 mln RUB	2014 mln RUB
Interest expense	(3,741)	(3,147)
Impairment of financial assets, net	(208)	-
Change in non-controlling interest in limited liability companies	-	(19)
	(3,949)	**(3,166)**

As of 31 December 2015 forex exchange gains are realized.

10 Income tax expense

The income tax expense consists of the following:

	2015 mln RUB	2014 mln RUB
Current tax expense		
Current year	(2,456)	(1,962)
(Underprovided)/overprovided in prior years	(12)	4
Reversal of tax provisions	628	772
	(1,840)	**(1,186)**
Deferred tax expense		
Origination and reversal of temporary differences	7	571
	7	571
	(1,833)	**(615)**

The Group’s applicable tax rate is the income tax rate of 20% for Russian companies (2014: 20%). The subsidiaries domiciled in Cyprus were taxed at a rate of 12.5%.

Reconciliation of effective tax rate:

	2015 mln RUB	%	2014 mln RUB	%
Profit before income tax	13,282	100	4,407	100
Income tax expense at applicable tax rate	(2,656)	20	(881)	20
Effect of unrecognised deferred tax assets	331	(2)	65	(1)
(Underprovided)/overprovided in prior years	(12)	-	4	-
Non-deductible expenses	(656)	5	(450)	10
Tax on intra-group dividends	-	-	(58)	1
Effect of tax rates in foreign jurisdictions	532	(4)	(67)	2
Reversals of tax provisions	628	(5)	772	(18)
	(1,833)	**14**	**(615)**	**14**

11 Property, plant and equipment

mln RUB	Buildings	Plant and equipment	Other fixed assets	Construction in progress	Total
Cost / Deemed cost					
At 1 January 2014	**10,866**	**4,087**	**1,006**	**326**	**16,285**
Additions	-	-	-	1,144	1,144
Disposals	(183)	(88)	(64)	(43)	(378)
Disposal of subsidiaries	(1)	(206)	(1)	-	(208)
Transfers	563	203	45	(811)	-
At 31 December 2014	**11,245**	**3,996**	**986**	**616**	**16,843**
Additions	-	-	-	823	823
Disposals	(104)	(169)	(180)	(68)	(521)
Disposal of subsidiaries	(1,313)	(94)	(218)	(3)	(1,628)
Reclassification to inventories	(42)	-	-	-	(42)
Transfers	255	160	87	(502)	-
At 31 December 2015	**10,041**	**3,893**	**675**	**866**	**15,475**
Accumulated depreciation and impairment losses					-
At 1 January 2014	**(4,469)**	**(2,176)**	**(591)**	**-**	**(7,236)**
Impairment losses (see note 12)	(499)	(65)	(90)	(123)	(777)
Impairment provision related to disposed assets	20	6	-	-	26
Impairment provision related to disposed subsidiaries	2	206	-	-	208
Depreciation charge	(265)	(272)	(97)	-	(634)
Disposals	41	71	51	-	163
Disposal of subsidiaries	-	-	1	-	1
					-
At 31 December 2014	**(5,170)**	**(2,230)**	**(726)**	**(123)**	**(8,249)**
Impairment losses (see note 12)	(97)	-	-	-	(97)
Impairment provision related to disposed assets	16	3	3	-	22
Impairment provision related to disposed subsidiaries	947	44	211	-	1,202
Depreciation charge	(258)	(659)	(85)	-	(1,002)
Disposals	27	50	128	-	205
Disposal of subsidiaries	135	42	1	-	178
Reclassification to inventories	18	-	-	-	18
Transfers	(3)	4	(1)	-	-
At 31 December 2015	**(4,385)**	**(2,746)**	**(469)**	**(123)**	**(7,723)**
Net book value					
At 1 January 2014	**6,397**	**1,911**	**415**	**326**	**9,049**
At 31 December 2014	**6,075**	**1,766**	**260**	**493**	**8,594**
At 31 December 2015	**5,656**	**1,147**	**207**	**743**	**7,752**

(a) Security

At 31 December 2015, property, plant and equipment with a carrying value of RUB 2,191 million (2014: RUB 2,445 million) was pledged to secure bank loans (refer to note 17).

(b) Depreciation expense

Depreciation expense of RUB 547 million has been charged to cost of goods sold, RUB 8 million to distribution expenses, RUB 161 million to administrative expense, and RUB 286 million has been included to inventories (2014: RUB 455 million, RUB 8 million, RUB 171 million accordingly). In 2015 the Group revised estimated remaining useful lives of certain equipment, which is expected to be redundant in 2016. As a result, depreciation increased by RUB 427 million, of which RUB 141 million has been included in cost of goods sold and RUB 286 million has been included to inventories.

12 Impairment losses on non-financial assets and write down of inventories

At each reporting date the Group reviews impairment indicators for the following assets:

- property, plant and equipment;
- inventories;
- advances paid for construction work and other advances.

(a) Property, plant and equipment

The Group reviewed the carrying amounts of its property, plant and equipment and concluded that there are indicators that assets may be impaired as at 31 December 2015. Therefore, the Group estimated the recoverable amounts of the respective cash generating units.

The values assigned to the key assumptions represent management's assessment of future trends in the construction industry and are based on both external and internal sources (historical data).

Prefabricated panel manufacturing

This group includes assets of AO PIK-Industries, AO 480 KGI, AO 100 KGI, OOO NSS. The following key assumptions were used to determine the recoverable amounts:

- The recoverable amount was determined as a value in use resulting from discounting the future cash flows generated from the continuing use of the assets;
- The cash flows were projected based on actual operating results for 2015, and the five-year business plan with adjustments for intra-group pricing; cash flows beyond the five-year period have been extrapolated for periods representing the remaining useful lives of major assets;
- Plants capacity utilisation is projected at 45% to 72%;
- A nominal, pre-tax discount rate of 21% for RUB denominated cash flows was applied in determining the recoverable amount of the plants.
- Terminal growth rate is estimated at 3%.

As a result of testing no impairment was recognized in 2015.

(b) Inventories

The Group reviewed its portfolio of development projects to determine whether the assets associated with these projects are impaired. In most instances the Group used discounted cash-flows to determine the recoverable amounts of inventories. Some projects have been valued based on the possibility of immediate sale. Net realizable value was used to determine the recoverable amounts for the finished goods. The Group has also engaged an independent appraiser to estimate the recoverable amount of the Group's development rights and work in progress.

The following key assumptions were used in determining the recoverable amount by discounted cash-flow techniques:

- Cash flows were projected for each individually significant project;

- Sales prices for the apartments are based on market prices effective in December 2015 for similar properties;
- A nominal pre-tax discount rate of 23% for RUB based cash flows was applied on average in determining recoverable amounts.

(c) Results of impairment tests and inventory write downs

		31 December 2015			31 December 2014		
		mln RUB	mln RUB	mln RUB	mln RUB	mln RUB	mln RUB
	Note	Carrying value	Impairment/ write down	Balance after impairment	Carrying value	Impairment/ write down	Balance after impairment
Property, plant and equipment	11	9,967	(2,215)	7,752	11,936	(3,342)	8,594
Intangible assets		144	-	144	231	(63)	168
Inventories	14	74,212	(4,278)	69,934	73,064	(8,203)	64,861
Advances paid		7,430	(1,316)	6,114	4,284	(1,609)	2,675
		91,753	**(7,809)**	**83,944**	**89,515**	**(13,217)**	**76,298**

(d) Impairment losses and reversals of impairment

	Note	2015 mln RUB	2014 mln RUB
Impairment losses and write downs			
Property, plant and equipment	11	(97)	(777)
Intangible assets		-	(63)
Inventories	14	(643)	(4,809)
Advances paid		(204)	(582)
		(944)	**(6,231)**
Reversal of impairment			
Intangible assets		63	-
Inventories	14	182	389
Advances paid		(47)	138
		198	**527**
		(746)	**(5,704)**

In 2015, impairment losses of finished goods and construction materials included in the cost of sales amounted to RUB 116 million. Impairment charges and reversals related to property, plant and equipment, development rights, advances paid and construction work in progress, intended for sale in the total amount of RUB 630 million were included in impairment losses (2014: RUB 502 million and RUB 5,202 million accordingly).

In the instances where the value in use of non-financial assets exceeds their carrying amount, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

		2015 mln RUB	2014 mln RUB
Reclassification to/ (from) other assets			
Inventories	14	28	26
Advances paid		14	4
		42	**30**

In addition, in 2015 and 2014, impairment losses have been reversed in the following amounts due to disposals of the respective assets. The related gains were included in other income.

	Note	2015 mln RUB	2014 mln RUB
Derecognitions related to disposals			
Property, plant and equipment	11	1,224	234
Inventories	14	4,358	4,582
Advances paid		530	124
		6,112	**4,940**

13 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

mln RUB	**Assets**		**Liabilities**		**Net**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Property, plant and equipment	39	112	(177)	(285)	(138)	(173)
Investments	19	31	(4)	(15)	15	16
Inventories	1,595	1,272	(929)	(672)	666	600
Trade and other receivables	739	570	(474)	(787)	265	(217)
Trade and other payables	1,012	1,254	(1,956)	(1,588)	(944)	(334)
Tax loss carry-forwards	269	169	-	-	269	169
Tax assets/(liabilities)	3,673	3,408	(3,540)	(3,347)	133	61
Set off of tax	(2,462)	(1,935)	2,462	1,935	-	-
Net tax assets/(liabilities)	**1,211**	**1,473**	**(1,078)**	**(1,412)**	**133**	**61**

(b) Unrecognised deferred tax assets

Deferred tax assets of RUB 4,376 million (2014: RUB 5,322 million) have not been recognised in respect of the deductible temporary differences and tax losses carried forward because it is not probable that future taxable profit will be available against which these assets can be utilized.

(c) Unrecognised deferred tax liabilities related to investments in subsidiaries

At 31 December 2015 a deferred tax liability for temporary differences of RUB 9,269 million (2014: RUB 8,529 million) related to investments in a subsidiaries was not recognised because the Group controls the timing of reversal of the related taxable temporary differences and it is satisfied that it will not be incurred in the foreseeable future.

(d) Movement in temporary differences during the year

mln RUB	1 January 2015	Recognised in profit and loss	Disposed	Acquired	31 December 2015
Property, plant and equipment	(173)	23	12	-	(138)
Investments	16	(1)	-	-	15
Inventories	600	68	(2)	-	666
Trade and other receivables	(217)	452	30	-	265
Trade and other payables	(334)	(621)	11	-	(944)
Tax loss carry-forwards	169	86	(3)	17	269
	61	**7**	**48**	**17**	**133**

mln RUB	1 January 2014	Recognised in profit and loss	31 December 2014
Property, plant and equipment	(100)	(73)	(173)
Investments	(108)	124	16
Inventories	789	(189)	600
Trade and other receivables	123	(340)	(217)
Trade and other payables	(1,520)	1,186	(334)
Tax loss carry-forwards	306	(137)	169
	(510)	**571**	**61**

14 Inventories

	2015 mln RUB	2014 mln RUB
Construction work in progress, intended for sale	49,592	39,382
Development rights	13,532	17,257
Finished goods and goods for resale	5,209	6,404
Raw materials and consumables	1,566	1,772
Work in progress	34	46
	69,933	**64,861**
Write down	(4,278)	(8,200)

In 2015 the Group made several major acquisitions of development rights of RUB 9,233 million, including non-controlling interest of RUB 601 million in Russian limited liability companies. The Group anticipates that development rights amounting to RUB 12,874 million will be transferred to construction work in progress within 12 months since Group intends to commence the physical construction on these sites.

15 Trade and other receivables

(a) Construction contracts in progress

	2015 mln RUB	2014 mln RUB
Cost incurred to date	5,455	3,308
Profits recognized to date	469	741
Revenue recognized to date	5,924	4,049
Progress payments received	(5,438)	(3,756)
	486	293
Amounts due to customers	(110)	(67)
Amounts due from customers	596	360

(b) Trade and other receivables

	2015 mln RUB	2014 mln RUB
Trade accounts receivable	2,812	3,359
Advances paid	6,114	2,675
Taxes receivable	622	385
Others	410	283
	9,958	**6,702**
Impairment losses	(2,155)	(2,435)

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 20.

16 Equity

(a) Share capital

The total number of ordinary shares issued and outstanding as at 31 December 2015 is 660,497 thousand with the nominal value of RUB 62.50 per share (31 December 2014: 660,497 thousand).

(b) Dividends

In accordance with the Russian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

In 2014, Board of Directors of the Group approved and declared dividends in the amount of RUB 2,748 million, representing RUB 4.16 per ordinary share. In 2014, dividends declared have been paid in full. There were no declared dividends in 2015.

(c) Earnings per share

The calculation of earnings per share is based on the profit for the year attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the year. The Company has no dilutive potential ordinary shares.

	2015	2014
Profit for the year attributable to the owners of the Company, mln RUB	11,172	3,440
Weighted average number of shares for the year ended , thousand shares	660,497	660,497
Basic and diluted earnings per share, RUB	**16.91**	**5.21**

17 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, refer to note 20.

	2015 mln RUB	2014 mln RUB
Non-current		
Secured bank loans	7,989	-
Bonds	4,905	-
	12,894	**-**
Current		
Secured bank loans	-	24,487
Interest payable	270	-
	270	**24,487**
	13,164	**24,487**

As at 31 December 2015 and 2014, the bank loans were secured with:

- property, plant and equipment with a carrying value of RUB 2,191 million (2014: RUB 2,445 million);
- inventory with a carrying value of RUB 6,011 million (2014: RUB 19,223 million);
- shares of the certain subsidiaries which comprise a substantial part of the Group.

In June 2015, the Group prolonged the existing credit facility of RUB 24,300 million for two years with subsequent extension option.

In August 2015 the Group placed a coupon bond issue amounting to RUB 15,000 million with a maturity of 10 years. The coupon rate for the first three years is 14.25%, which amounts to 71.05 roubles per one bond for each issue payable semiannually. The bondholders have a right to demand an early repayment of obligations in three years since the date of offer in 2018.

In December 2015 the Group partially repaid its outstanding major credit facility in the amount of RUB 16,575 million and redeemed its bonds amounting to RUB 10,000 million.

Terms and conditions of outstanding debt

Terms and conditions of outstanding loans were as follows:

	2015 mln RUB	2014 mln RUB
Secured bank loans		
RUB - fixed at 11,4%-13,5%	7,989	24,487
Bonds		
RUB - fixed at 14,25%	4,905	-
Interest payable	270	-
	13,164	**24,487**

18 Trade and other payables

	2015 mln RUB	2014 mln RUB
Non-current		
Other liabilities	988	249
	988	**249**
Current		
Advances from customers	42,967	32,378
Accounts payable for construction works and other trade payables	4,761	3,900
Other taxes payable	1,429	723
Other payables	1,162	1,708
	50,319	**38,709**

Other non-current liabilities include a non-controlling interest in Russian limited liability companies.

Most of outstanding balances of current liabilities are expected to be settled within 12 months of the reporting period.

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 20.

19 Provisions

mln RUB	Provision for costs to complete	Provision for tax	Total
As at 1 January 2015	**9,360**	**1,170**	**10,530**
Additional provisions	3,708	370	4,078
Releases of provisions	(3,340)	(998)	(4,338)
Amount used	(2,469)	-	(2,469)
As at 31 December 2015	**7,259**	**542**	**7,801**
As at 1 January 2014	**10,753**	**1,942**	**12,695**
Additional provisions	2,748	172	2,920
Releases of provisions	(2,901)	(944)	(3,845)
Amount used	(1,240)	-	(1,240)
As at 31 December 2014	**9,360**	**1,170**	**10,530**

Estimated costs to complete represent the Group's estimate of future costs which are expected to be incurred in relation to construction of infrastructure facilities and other local amenities, such as schools, parking places, commercial real estate etc., which the Group is obliged to build as part of its building permit requirements. Provision for costs to complete is recognized upon revenue recognition in respect of completed principal property which has been constructed by the Group and to which the infrastructure facilities and amenities described above relate.

These estimates are particularly dependent on the changes in city development regulations, which may trigger the changes in the investment contracts with the Group, change in prices for construction materials and labor.

The tax provisions relating to deductibility for tax purposes of certain expenses primarily comprise of a provision of income tax of RUB 542 million (2014: RUB 1,170 million) including penalties.

In 2015 the Group reversed tax provision amounting RUB 998 million (2014: RUB 944 million) recognised in prior periods because the respective period open for tax audit has expired.

20 Financial instruments

(a) Overview

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 Board of Directors has overall responsibility for the establishment and oversight of the Group's 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, aims to develop 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 the Group's receivables from customers and investment securities.

(i) Sale of apartments to individuals

The Group is not significantly exposed to credit risk in connection with sales of apartments to individuals as such sales are significantly on a prepayment basis.

(ii) Trade receivables from organisations

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each contractor.

The Group has established a credit policy under which each new contractor is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. These provide for penalties in the event of late payment or late delivery.

In monitoring customer credit risk, contractors are grouped according to their credit characteristics, including whether type of contract, aging profile, maturity and existence of previous financial difficulties.

The Group does not require collateral in respect of trade and other receivables.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to the Group's subsidiaries.

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:

Credit risk	2015 mln RUB	2014 mln RUB
Loans and receivables	3,509	3,675
Cash and cash equivalents	17,022	14,239
	20,531	17,914

The Group held cash and cash equivalents of RUB 17,022 million (2014: RUB 14,239 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks and financial institution which are rated top 10 (based on assets) financial institution of Russian Federation.

Impairment losses

The aging of trade receivables and loans receivable at the reporting date was:

	Gross	Impairment	Gross	Impairment
Impairment losses	**2015 mln RUB**	**2015 mln RUB**	**2014 mln RUB**	**2014 mln RUB**
Not past due	2,580	-	3,234	-
Past due 90 days	86	(64)	156	(156)
Past due 91-180 days	55	(54)	101	(101)
Past due 181 days-1 year	105	(104)	52	(50)
More than one year	537	(524)	741	(740)
	3,363	**(746)**	**4,284**	**(1,047)**

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

	2015 mln RUB	2014 mln RUB
Balance at beginning of the year	1,047	2,327
Increase/(decrease) during the year	208	(159)
Amounts written off against financial assets	(509)	(1,121)
Balance at end of the year	**746**	**1,047**

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and loans issued. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable and is written off against the financial asset directly.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

Group's treasury carries out liquidity risk management including risks which the Group would face in the long-, medium- and short-term periods under governance approved and provided by the Board that is reviewed regularly in order to reflect changes in market conditions.

The liquidity position is centrally managed for all subsidiaries of the Group in order to control cash balances available at any time.

Covenant compliance risk

The Group actively monitors compliance with all debt covenants and, in case of the risk of default, approaches the lenders to amend the respective facility agreement, before any event of default occurs.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

Liquidity risk

2015	**Average interest rate**							
mln RUB	**Contra-ctual**	**Effective**	**Carrying value**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**Total**
Bank loans	13,5%	13,9%	7,989	-	-	8,025	-	8,025
Bonds	14.25%	14.57%	4,905	-	-	-	5,000	5,000
Interest payable	-	-	270	1,173	909	1,198	474	3,754
Trade and other payables	-	-	5,629	5,629	-	-	-	5,629
			18,793	**6,802**	**909**	**9,223**	**5,474**	**22,408**

2014	**Average interest rate**				
mln RUB	**Contra-ctual**	**Effective**	**Carrying value**	**0-6 mths**	**Total**
Bank loans	11,4 - 13,5%	12-12,5%	24,487	24,600	24,600
Trade and other payables	-	-	5,319	5,319	5,319
Interest payable	-	-	-	1,258	1,258
			29,806	**31,177**	**31,177**

(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.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

(i) Currency risk

The Group is exposed to currency risk on purchases and cash balances that are denominated in a currency other than the Russian Rouble (RUB). These transactions, which could be exposed to foreign currency risks are typically denominated in U.S. Dollars (USD).

Borrowings and arising interest payments are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in RUB. This provides a natural economic hedge and no currency derivatives are used by the Group.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

Currency risk

mln RUB	**2015 USD denominated**	**2014 USD denominated**
Cash	143	2,870
Receivables	12	94
Trade payables	(1)	(6)
Total	**154**	**2,958**

The RUB/USD exchange rates at 31 December 2015 and 31 December 2014 were 72.88 and 56.26 respectively. The average RUB/USD rates for the years were 60.96 and 38.42 respectively.

Sensitivity analysis

A 20% strengthening of the RUB against the USD at 31 December 2015 would have decreased equity and profit by RUB 31 million. The same strengthening effect of the RUB against USD at 31 December 2014 would have increased equity and profit by RUB 592 million. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 20% weakening of the RUB against the USD at 31 December 2015, and 31 December 2014 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

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

Profile

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

Fixed rate instruments	2015 mln RUB	2014 mln RUB
Financial assets	15,266	11,600
Financial liabilities	(13,164)	(24,487)
	2,102	**(12,887)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

(e) Fair values versus carrying amounts

As at 31 December 2015 and 31 December 2014 the carrying values of the Group's financial assets and liabilities approximated their fair values. The basis for determining fair values is disclosed in note 4.

(f) Capital management

The Group'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 Board of Directors monitors capital structure goal defined as net debt divided by Earnings before interest, income taxes, depreciation and amortisation (EBITDA). The calculation of net debt and EBITDA is disclosed in note 26.

During 2014 and 2015, the Group focused on its debt restructuring by active negotiations with its lenders on payment terms and interest rates together with subsequent debt repayment. The Group established a goal to reduce the short-term portion of total debt to acceptable limits.

21 Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

31 December 2015 In million RUB	Viniso Invistments Limited	Other individually immaterial subsidiaries	Intra-group eliminations	Total
NCI percentage	**25%**			
Non-current assets	348	3,198		
Current assets	15,910	9,213		
Non-current liabilities	(246)	(2)		
Current liabilities	(13,245)	(9,669)		
Net assets	**2,767**	**2,740**		
Carrying amount of NCI	692	151	(35)	808
Revenue	2,576	11,400		
Profit	1,726	(656)		
Total comprehensive income	**1,726**	**(656)**		
Profit allocated to NCI	237	75	(35)	277
Cash flows from operating activities	3,013	505		
Cash flows from/ (used in) investment activities	1,315	(1,060)		
Cash flows used in financing activities (dividends to NCI: nil)	(3)	(64)		
Net increase (decrease) in cash and cash equivalents	**4,325**	**(619)**		

31 December 2014 In million RUB	Viniso Invistments Limited	Other individually immaterial subsidiaries	Intra-group eliminations	Total
NCI percentage	**25%**			
Non-current assets	308	3,851		
Current assets	10,050	12,674		
Non-current liabilities	(316)	(38)		
Current liabilities	(9,001)	(13,091)		
Net assets	**1,041**	**3,396**		
Carrying amount of NCI	455	91	-	546
Revenue	6,735	10,965		
Profit	1,814	(2,671)		
Total comprehensive income	**1,814**	**(2,671)**		
Profit allocated to NCI	453	(101)	-	352
Cash flows from/ (used in) operating activities	1,155	(184)		
Cash flows from/ (used in) investment activities	123	(696)		
Cash flows used in financing activities (dividends to NCI: nil)	(350)	(211)		
Net increase (decrease) in cash and cash equivalents	**928**	**(1,091)**		

22 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available.

The Group has insured its property and equipment to compensate for expenses arising from accidents. The Group has also insured certain professional and financial risks in relation to quality of construction works. The Group does not have full coverage for business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations.

The Group does not have insurance in respect of any force majeure circumstances, which may arise in relation to constructed buildings in the period after the sales have been recognised until the time when ownership rights are registered with the customer or acceptance act is signed in respect of shared construction contracts. The risk of damage in case of force majeure circumstances in these periods of time is borne by the Group.

In cases stipulated by the Federal Law №214-FZ, Group acting as the developer participates in the Society of mutual liability insurance builders. Under shared construction contracts the Group has insured its civil liability for any failure to transfer completed properties to customers.

Until the Group obtains full insurance coverage, there is a risk that the loss or destruction of certain assets and other circumstances could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

The Group is involved in various claims and legal proceedings relating to supply and service contracts. The amount of RUB 247 million related to accounts payable was claimed in court at the end of the 2015 (2014: RUB 143 million). The amount of RUB 95 million was included in accounts payable as at 31 December 2015 (2014: RUB 119 million). Management believes, based on legal advice, that the actions can be successfully defended and therefore no losses will be incurred. The legal claims are expected to be settled in the course of next reporting period.

(c) Taxation contingencies

Taxation system

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

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

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

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 changes aimed at regulating tax consequences of transactions with foreign companies and their activities were introduced, such as concept of beneficial ownership of income, tax residency etc. These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation is still evolving and the practice of its application is very limited and may not be treated as representative. The impact of legislative changes should depend on the actual circumstances and hardly reliably predictable. However, the management believes that it is rather possible than probable that the Company would suffer material tax outflow as a result of successful challenge by the tax authorities.

Other tax contingencies

As at 31 December 2015 other contingent liabilities related to taxation amounted to approximately RUB 232 million (2014: RUB 583 million). This amount mainly includes contingent profit tax and VAT liabilities resulting from tax treatment of some income and expenses applied by the Group that may be challenged by the tax authorities.

(d) Warranties and guarantees for work performed

The Group is contractually responsible for the quality of construction works performed subsequent to the date when the property is sold, which, in accordance with applicable law, is a period of up to three years from the date of the sale. Based upon prior experience with warranty claims, which have not been significant, no liabilities have been recognised in the consolidated financial statements in relation to warranties and guarantees for work performed.

23 Related party transactions

(a) Control relationships

As at 31 December 2014 and 2015 there were no immediate or ultimate parent companies of the Group.

As at 31 December 2015, entities affiliated with Sergey Gordeev, Group CEO, owned 29.9% of the Company's ordinary shares.

(b) Management remuneration

Salaries and bonuses

Key management received the following remuneration during the year:

	2015 mln RUB	2014 mln RUB
Salaries and bonuses	643	363
Contributions to State Pension Fund	100	40
	743	**403**

(c) Transactions with associates

In 2014 the Group sold residential properties to two of its associates (ZPFNs) for RUB 174 million. The unrealized gain, attributable to the Group's share, of RUB 8 million resulting from the sale was eliminated against the balance of equity accounted investees.

During the reporting period one of the Group's associates sold residential properties to third parties in the amount of RUB 101 million and to the Group's company in the amount of RUB 31 million. The unrealized gain of RUB 16 million was released.

24 Significant subsidiaries

As at 31 December 2015 the Group controlled 92 legal entities (2014: 120). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements.

The following is a list of the most significant subsidiaries:

		Effective ownership		**Voting rights**	
	Country of incorporation	**2015**	**2014**	**2015**	**2014**
AO Pervaya Ipotechnaya Kompanya-Region (PIK-Region)	Russia	100%	100%	100%	100%
AO PIK-Industries	Russia	95%	95%	95%	95%
Viniso Investments Limited	Cyprus	75%	75%	75%	75%

25 Events subsequent to the reporting date

There were no significant events after the reporting date.

26 Supplementary information: non-IFRS measures

Net debt:

	2015 mln RUB	**2014 mln RUB**
Loans and borrowings, current	270	24,487
Plus: Loans and borrowings, non-current	12,894	-
Less: Cash and cash equivalents	(17,022)	(14,239)
Net debt	**(3,858)**	**10,248**

Earnings before interest, taxes, depreciation and amortisation (EBITDA):

	2015 mln RUB	2014 mln RUB
Profit for the year	11,449	3,792
Plus: Depreciation and amortisation	1,124	737
Plus: Interest expense	3,741	3,147
Less: Interest income	(1,338)	(778)
Plus: Income tax expense	1,833	615
EBITDA	**16,809**	**7,513**
Impairment losses, net	630	5,202
Impairment losses/(reversals) on financial assets, net	208	(159)
Write-off of accounts payable	(225)	(70)
Foreign exchange gains, net	(4,015)	(34)
Loss/(gain) on disposal of property, plant and equipment and other assets	122	(65)
Penalties and fines, including reversals, net	64	121
Write-off of other materials	116	9
Adjusted EBITDA	**13,709**	**12,517**

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Auditors' Report

To the Shareholders and Board of Directors

PJSC PIK Group

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Audited entity: PJSC PIK Group

Registered by Government Agency Moscow Registration Chamber on 20 September 1994 Registration No. 756.924

Entered in the Unified State Register of Legal Entities of Legal Entities on 30 August 2002 by the Moscow Inter-Regional Tax Inspectorate No. 30 of the Ministry for Taxes and Duties of the Russian Federation Registration No. 1027739137084 Certificate series 77 No. 007637627

bldg. 1, 19 Barrikadnaya Street, Moscow, 123242

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

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

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

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

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

Opinion

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

Emphasis of Matter

During the year the Group changed its accounting policy for development rights. The reason for and the effects of such change are described in Note 2(d) to the consolidated financial statements. We have audited the adjustments described in Note 2(d) that were applied to restate the prior year consolidated financial statements and the statement of financial position as at 1 January 2014. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not qualified in respect of this matter.

Altukhov K.V.

Director (power of attorney dated 16 March 2015 No. 04/15)

JSC "KPMG"

30 March 2016

Moscow, Russian Federation.