PJSC LSR Group

Consolidated Interim Financial Statements for the six-month period ended 30 June 2016

Contents

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Auditors' Report on Review of Consolidated Interim Financial Statements

To Shareholders and the Board of Directors

PJSC LSR Group

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of PJSC LSR Group (the "Company") and its subsidiaries (the "Group") as at 30 June 2016, and the related consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (the "consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Audited entity: Public Joint Stock Company LSR Group

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

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

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

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

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2016, and its financial performance and its cash flows for the six - month period then ended in accordance with International Financial Reporting Standard IAS 34 _Interim Financial Reporting_.

Kharichkin S.M.

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

Power of attorney dated 6 April 2015

JSC "KPMG"

29 August 2016

Saint Petersburg, Russian Federation

mln RUB		**Six-month period ended 30 June**	
	Note	**2016**	**2015**
Revenue		31,618	28,741
Cost of sales		(22,436)	(19,334)
Gross profit		9,182	9,407
Distribution expenses		(3,142)	(1,956)
Administrative expenses	7	(4,100)	(3,323)
Other income	8	155	78
Other expenses	8	(15)	(5)
Results from operating activities		2,080	4,201
Finance income	10	1,004	1,808
Finance costs	10	(1,299)	(1,474)
Profit before income tax		1,785	4,535
Income tax expense	11	(685)	(591)
Profit for the period		1,100	3,944
Other comprehensive income / (loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(466)	(419)
Total comprehensive income for the period		634	3,525

The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 13 to 73.

mln RUB		**Six-month period ended 30 June**	
	Note	**2016**	**2015**
Profit attributable to:			
Shareholders of the Company		1,098	3,945
Non-controlling interest		2	(1)
Profit for the period		1,100	3,944
Total comprehensive income attributable to:			
Shareholders of the Company		632	3,526
Non-controlling interest		2	(1)
Total comprehensive income for the period		634	3,525
Basic and diluted earnings per share	22	10.87 RUB	38.67 RUB

These consolidated interim financial statements were approved by management on 29 August 2016 and were signed on its behalf by:

A.Y. Molchanov
Chief Executive Officer

A.I. Nikitin
Chief Financial Officer

The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 13 to 73.

mln RUB	Note	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	13	30,455	29,021
Intangible assets	14	4,339	4,373
Other investments	15	178	27
Deferred tax assets	16	2,848	2,277
Trade and other receivables	18	294	317
Total non-current assets		38,114	36,015
Current assets			
Other investments	15	661	85
Inventories	17	143,609	121,270
Income tax receivable		123	220
Trade and other receivables	18	18,817	26,334
Cash and cash equivalents	19	25,054	20,434
Restricted cash	20	22	23
Total current assets		188,286	168,366
Total assets		226,400	204,381

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 13 to 73.

mln RUB	**Note**	**30 June 2016**	**31 December 2015**
EQUITY AND LIABILITIES			
Equity	21		
Share capital		35	35
Treasury shares		(1,334)	(1,383)
Share premium		26,408	26,408
Additional paid in capital		16,824	16,703
Foreign currency translation reserve		271	737
Retained earnings		18,589	25,527
Total equity attributable to shareholders of the Company		60,793	68,027
Non-controlling interest		(31)	(33)
Total equity		60,762	67,994
Non-current liabilities			
Loans and borrowings	23	26,930	21,904
Deferred tax liabilities	16	1,214	1,812
Trade and other payables	25	14,490	13,670
Provisions	24	58	61
Total non-current liabilities		42,692	37,447
Current liabilities			
Loans and borrowings	23	17,026	11,114
Income tax payable		460	671
Trade and other payables	25	104,893	86,262
Provisions	24	567	893
Total current liabilities		122,946	98,940
Total liabilities		165,638	136,387
Total equity and liabilities		226,400	204,381

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 13 to 73.

mln RUB	**Six-month period ended 30 June**	
	2016	**2015**
OPERATING ACTIVITIES		
Profit for the period	1,100	3,944
Adjustments for:		
Depreciation and amortisation	1,497	1,465
Gain on disposal of property, plant and equipment	(104)	(54)
Portion of excess of fair value over purchase price of assets*	795	-
Capitalized interest recognized in cost of sales	113	30
Net finance costs / (income)	295	(334)
Income tax expense	685	591
Operating profit before changes in working capital and provisions	4,381	5,642
Increase in inventories net of non-cash items	(22,916)	(14,143)
Decrease / (increase) in trade and other receivables	7,250	(2,004)
Increase in trade and other payables	18,763	11,050
Decrease in provisions	(329)	(984)
Cash flows from / (utilised by) operations before income taxes and interest paid	7,149	(439)
Income taxes paid	(2,046)	(1,499)
Interest paid	(2,081)	(1,690)
Cash flows from / (utilised by) operating activities	3,022	(3,628)

* Portion of excess of fair value over purchase price of land plot acquired from entities under common control and revaluation of assets, included in cost of development object, which was sold in 2016 and recognised at cost of sales.

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 13 to 73.

mln RUB	Six-month period ended 30 June	
	2016	**2015**
INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	98	109
Interest received	980	1,798
Acquisition of property, plant and equipment	(1,391)	(1,663)
(Increase) / decrease in restricted cash	(1)	16
Acquisition of intangible assets	(3)	(59)
Loans given	(726)	(241)
Loans repaid	65	2,214
Disposal of subsidiaries	-	5,000
Acquisition of other investments	-	(25)
Cash flows (utilised by) / from investing activities	(978)	7,149
FINANCING ACTIVITIES		
Proceeds from borrowings	28,748	-
Proceeds from bonds	160	-
Repayment of borrowings	(16,797)	(519)
Repayment of bonds	(1,159)	(1,017)
Payment of finance lease liabilities	(20)	(24)
Payment of outstanding balance for own shares	(18)	-
Dividends paid	(8,036)	(8,036)
Cash flows from / (utilised by) financing activities	2,878	(9,596)
Net increase / (decrease) in cash and cash equivalents	4,922	(6,075)
Cash and cash equivalents at the beginning of the period	20,434	25,278
Effect of exchange rate fluctuations on cash and cash equivalents	(302)	(263)
Cash and cash equivalents at the end of the period (note 19)	25,054	18,940

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 13 to 73.

mln RUB	Attributable to shareholders of the Company								
	Share capital	Treasury share reserve	Share premium	Additional paid in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2015	35	(751)	26,408	16,644	594	22,914	65,844	(15)	65,829
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	3,945	3,945	(1)	3,944
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	(419)	-	(419)	-	(419)
Total comprehensive (loss) / income for the period	-	-	-	-	(419)	3,945	3,526	(1)	3,525
Transactions with owners recorded directly in equity									
Acquisition of subsidiaries	-	-	-	-	-	-	-	(14)	(14)
Write off of the excess of book values of net assets acquired from entities under common control over consideration paid	-	-	-	(174)	-	-	(174)	-	(174)
Treasury shares acquired	-	(211)	-	-	-	-	(211)	-	(211)
Treasury shares sold	-	63	-	-	-	-	63	-	63
Dividends to shareholders	-	-	-	-	-	(8,036)	(8,036)	-	(8,036)
Balance at 30 June 2015	35	(899)	26,408	16,470	175	18,823	61,012	(30)	60,982

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 13 to 73.

mln RUB	Attributable to shareholders of the Company								
	Share capital	**Treasury share reserve**	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2016	35	(1,383)	26,408	16,703	737	25,527	68,027	(33)	67,994
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	1,098	1,098	2	1,100
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	(466)	-	(466)	-	(466)
Total comprehensive (loss) / income for the period	-	-	-	-	(466)	1,098	632	2	634
Transactions with owners recorded directly in equity									
Disposal of the subsidiary to the entity under common control via withdrawal from the participants	-	-	-	121	-	-	121	-	121
Treasury shares acquired	-	(3)	-	-	-	-	(3)	-	(3)
Treasury shares sold	-	52	-	-	-	-	52	-	52
Dividends to shareholders	-	-	-	-	-	(8,036)	(8,036)	-	(8,036)
Balance at 30 June 2016	35	(1,334)	26,408	16,824	271	18,589	60,793	(31)	60,762

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 13 to 73.

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

1 Background

(a) Organisation and operations

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

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

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

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

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

(b) Russian business environment

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

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

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

2 Basis of preparation

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

The Group additionally presents the consolidated interim financial statements in Russian language in accordance with the Federal law #208-fz “On consolidated financial reporting”.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Company’s functional currency and the currency in which these consolidated interim financial statements are presented.

Starting 2016, all financial information is presented in the Russian Rouble and has been rounded to the nearest million, except if otherwise indicated.

Prior to 2016, consolidated interim financial statements were also presented in United States Dollars (“USD”), all financial information presented had been rounded to the nearest thousand, except if otherwise indicated.

Management believes that the new presentation is more compact and transparent for the financial statements users.

(d) Use of estimates and judgments

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

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

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

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

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

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

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

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

(ii) Subsidiaries

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

(iii) Acquisitions from entities under common control

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

(iv) Disposals to entities under common control

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

(v) Acquisitions and disposals of non-controlling interests

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

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

(vi) Transactions eliminated on consolidation

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

(b) Foreign currencies

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

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

Loans and receivables

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

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

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

Available-for-sale financial assets

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

Other

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

(ii) Non-derivative financial liabilities

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

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

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

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

(d) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Reclassification of owner occupied property

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

- Buildings 20 to 50 years;
- Machinery and equipment 5 to 29 years;
- Transportation equipment 8 to 20 years;
- Other fixed assets 5 to 20 years.

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

(f) Intangible assets

(i) Goodwill

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

Subsequent measurement

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

(ii) Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the statement of profit or loss and other comprehensive income as incurred.

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

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

(g) Leased assets

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

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

(h) Investment property under development

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

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

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

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. In the case when investment property forms part of a larger property unit, it is distinguished on the basis of the area which it occupies in the total area of the property unit.

Investment property is measured at fair value with any change therein recognised in the statement of profit or loss and other comprehensive income.

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

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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

(k) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 3(p) (iii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

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

(l) Impairment

(i) Financial assets

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

Objective evidence that financial asset (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

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

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

(m) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in statement of profit or loss and other comprehensive income. Gains are not recognised in excess of any cumulative impairment loss. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

(n) Employee benefits

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

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

(o) Provisions

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

(i) Warranties

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

(ii) Site and environment restoration

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

(iii) Litigation provision

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

(iv) Provision for unprofitable contracts

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

(p) Revenues

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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

Sales may be contracted under share participation agreements. In such instances, the significant risks and rewards of ownership are considered to have been transferred to individual buyers when the construction is completed, and the building has been approved by the State commission for acceptance of finished buildings.

(ii) Services

Revenue from services, rendered by the Group's companies is recognised in the statement of profit and loss and other comprehensive income when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

(iii) Construction contracts and designing

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

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

(iv) Rental income

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

(q) Other expenses

(i) Lease payments

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

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

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

(ii) Social expenditure

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

(r) Finance income and finance costs

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

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

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

(s) Income tax expense

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

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(t) Earnings per share

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

(u) Segment reporting

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

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

(v) New Standards and Interpretations not yet adopted

A number of new Standards, *amendments to Standards* and Interpretations are not yet effective as at 30 June 2016, and have not been applied in preparing this consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2018 and will replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The Group does not intend to adopt this standard early.
- IFRS 15 *Revenue from Contracts with Customers* will be effective for annual periods beginning on or after 1 January 2018. The new standard is replace International Financial Reporting Standard IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers*, SIC 31 *Revenue - Barter Transactions Involving Advertising Services*. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements.
- IFRS 16 replaces the existing lease accounting guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

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

  The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2017. The Group has not yet analysed the likely impact of the improvements on its financial position or performance

4 Determination of fair values

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

(a) Property, plant and equipment

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

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

(b) Investment property and investment property under development

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

(c) Intangible assets

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

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

(d) Inventories

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

(e) Investments in equity and debt securities

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

(f) Trade and other receivables

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

(g) Non-derivative financial liabilities

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

5 Operating segments

The Group has five reportable segments as described below which are the Group’s strategic business units. The strategic business units offer different products and services and are managed separately, because they require different technology and marketing strategies. The format of reporting segments is based on Group’s management and internal reporting structure.

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

(a) Operating segments

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

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

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

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

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

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

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

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

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

The Group has aerated concrete production facilities in Ukraine. Net assets of Ukrainian subsidiary amounts to 0.40% of total net asset of the Group (31 December 2015: 0.39%) and EBITDA equals to 3.76% of EBITDA of the Group (30 June 2015: 3.48%). Ukraine is currently suffering from political and economic crisis, combined with social unrest and regional tensions. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

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

(b) Major customers

Revenues from the largest customer of the Group represents approximately RUB 1,052 million (six-month period ended 30 June 2015: RUB 742 million) of the Group's total revenues.

Revenue from the next four significant customers of the Group amounts approximately to RUB 2,119 million (six-month period ended 30 June 2015: RUB 1,203 million).

(i) Operating segments

For the six-month period ended 30 June 2016 mln RUB	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Revenue from external customers	7,751	2,464	302	586	19,034	101	30,238
Inter-segment revenue	237	10,135	44	97	-	-	10,513
Total segment revenue	7,988	12,599	346	683	19,034	101	40,751
Segment result	787	380	(11)	79	2,757	-	3,992
Depreciation/amortisation	904	340	-	88	50	115	1,497
Capital expenditure	149	123	-	44	320	1,190	1,826

For the six-month period ended 30 June 2015 mln RUB	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Revenue from external customers	7,130	1,371	747	634	17,525	208	27,615
Inter-segment revenue	277	12,981	29	89	65	-	13,441
Total segment revenue	7,407	14,352	776	723	17,590	208	41,056
Segment result	391	797	29	141	5,318	-	6,676
Depreciation/amortisation	901	347	-	88	31	98	1,465
Capital expenditure	256	316	-	17	396	779	1,764

As at 30 June 2016 **mln RUB**	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Segment assets, excluding net financial position*	23,159	13,534	452	1,344	187,208	-	225,697
Segment liabilities, excluding net financial position*	8,565	12,974	302	323	112,029	-	134,193
Net financial position*	6,160	(6,596)	(162)	(30)	30,699	13,885	43,956

As at 31 December 2015 **mln RUB**	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Segment assets, excluding net financial position*	23,999	13,901	278	1,373	166,038	-	205,589
Segment liabilities, excluding net financial position*	7,941	13,723	110	281	93,008	-	115,063
Net financial position*	7,896	(6,855)	(162)	6	28,321	3,812	33,018

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

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

Revenue	**Six-month period ended 30 June**	
mln RUB	**2016**	**2015**
Total revenue for reportable segments	40,751	41,056
Other revenue	223	174
Transportation revenue	1,157	952
Elimination of intersegment revenue	(10,513)	(13,441)
Consolidated revenue	31,618	28,741

Profit for the period	**Six-month period ended 30 June**	
mln RUB	**2016**	**2015**
Total segment result	3,992	6,676
Other result	(255)	(1,117)
Unallocated expenses and income, net	(1,657)	(1,358)
Finance income	1,004	1,808
Finance costs	(1,299)	(1,474)
Income tax expense	(685)	(591)
Profit for the period	1,100	3,944

Assets

mln RUB	**30 June 2016**	**31 December 2015**
Segment assets, excluding net financial position	225,697	205,589
Elimination of intersegment assets	(14,606)	(14,089)
Unallocated assets	15,309	12,881
Total assets	226,400	204,381

Liabilities

mln RUB	30 June 2016	31 December 2015
Segment liabilities, excluding net financial position	134,193	115,063
Elimination of intersegment liabilities	(14,902)	(14,253)
Unallocated liabilities	2,391	2,559
Consolidated loans and borrowings	43,956	33,018
Total liabilities	165,638	136,387

Other material items	Six-month period ended 30 June	
mln RUB	2016	2015
Capital expenditure	1,826	1,764
Elimination of intersegment purchases	(8)	(5)
Consolidated capital expenditure	1,818	1,759

6 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

During the six-month period ended 30 June 2015 and the six-month period ended 30 June 2016 the Group has not acquired any subsidiaries.

(b) Disposal of subsidiaries

During the six-month period ended 30 June 2015 and the six-month period ended 30 June 2016 the Group has not disposed any subsidiaries.

7 Administrative expenses

mln RUB	Six-month period ended 30 June	
	2016	**2015**
Wages and salaries	2,236	1,936
Services	471	431
Insurance	311	32
Social expenditure	224	190
Overhead expenses on finished projects	198	102
Taxes other than profit tax	184	185
Depreciation and amortisation	110	72
Materials	86	56
Change in allowance recognised for doubtful debts	-	124
Other administrative expenses	280	195
	4,100	3,323

8 Other income and expenses

mln RUB	Six-month period ended 30 June	
	2016	**2015**
Other income:		
Gain on disposal of property, plant and equipment	104	54
Gain on disposal of other assets	51	24
Total other income	155	78
Other expenses:		
Other expenses	(15)	(5)
Total other expenses	(15)	(5)
Net other income	140	73

9 Total personnel costs

mln RUB	Six-month period ended 30 June	
	2016	**2015**
Wages and salaries:		
Cost of sales	4,211	4,316
Administrative expenses	2,236	1,936
Distribution expenses	318	143
	6,765	6,395

10 Finance income and finance costs

mln RUB	Six-month period ended 30 June	
	2016	2015
Recognised in profit or loss		
Finance income		
Interest income	980	1,798
Foreign exchange gain	16	3
Unwind of discount	8	6
Other finance income	-	1
	1,004	1,808
Finance costs		
Interest expense	(1,172)	(1,290)
Foreign exchange loss	(79)	(138)
Unwind of discount	(27)	(45)
Change in allowance recognised for doubtful debts	(16)	-
Repurchase of own bonds	(5)	(1)
	(1,299)	(1,474)
Net finance (costs) / income recognised in profit or loss	(295)	334
Recognised in other comprehensive income		
Finance costs		
Foreign currency translation differences for foreign operations	(466)	(419)
Finance costs recognised in other comprehensive income, net of tax	(466)	(419)
Attributable to:		
Equity holders of the Company	(466)	(419)

In addition to borrowing costs recognised as an expense during six-months period ended 30 June 2016, interest in the amount of RUB 918 million (30 June 2015: RUB 372 million) has been capitalized using a capitalization rate of 12.61% (30 June 2015: 10.84%) as part of the objects under construction.

In addition to unwind of discount for long-term payables for land plots and lease incentives, recognized as finance costs during six-months period ended 30 June 2016, unwind of discount in the amount of RUB 807 million (30 June 2015: RUB 873 million) has been capitalized as part of the objects under construction.

11 Income tax expense

mln RUB	Six-month period ended 30 June 2016	2015
Current tax expense		
Current period	1,933	1,538
Deferred tax expense		
Origination and reversal of temporary differences	(1,248)	(947)
Income tax expense	685	591

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20.00% (2015: 20.00%).

Reconciliation of effective tax rate:

	Six-month period ended 30 June			
	2016 mln RUB	%	2015 mln RUB	%
Profit for the period	1,100		3,944	
Income tax expense	685		591	
Profit before income tax	1,785	100	4,535	100
Income tax at applicable tax rate	357	(20)	907	(20)
Non-taxable income	(130)	7	(141)	3
Tax effect on sale of shares	-	-	(342)	8
Non-deductible expenses	455	(24)	345	(8)
Current period (reversals of losses) losses for which no deferred tax asset was recognised	10	(1)	-	-
Tax incentives	(7)	-	(178)	4
Total income tax expenses for the period	685	(38)	591	(13)

12 Construction contracts

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

mln RUB	Six-month period ended 30 June 2016	2015
Contract revenue	3,231	2,156
Contract costs	(2,703)	(1,845)
Gross profit	528	311

13 Property, plant and equipment

mln RUB	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2015	20,133	18,495	3,566	764	1,004	43,962
Additions	236	148	48	25	1,302	1,759
Disposals	(21)	(68)	(68)	(8)	(2)	(167)
Reclassifications to inventories	-	-	-	-	(6)	(6)
Reclassifications to assets held for sale	(199)	(473)	(512)	(8)	-	(1,192)
Transfers and reclassifications	297	282	6	3	(588)	-
Effect of movements in exchange rates	(219)	(198)	(12)	(3)	(7)	(439)
At 30 June 2015	20,227	18,186	3,028	773	1,703	43,917
At 1 January 2016	23,330	19,098	4,110	813	663	48,014
Additions	59	162	91	967	539	1,818
Disposals	(83)	(109)	(40)	(14)	(27)	(273)
Reclassifications to / from inventories	4	(1)	-	-	1,383	1,386
Transfers and reclassifications	31	101	23	6	(161)	-
Effect of movements in exchange rates	(173)	(107)	(8)	(2)	(30)	(320)
At 30 June 2016	23,168	19,144	4,176	1,770	2,367	50,625
Depreciation and impairment losses						
At 1 January 2015	(3,945)	(9,043)	(2,302)	(582)	-	(15,872)
Depreciation charge	(347)	(863)	(178)	(47)	-	(1,435)
Disposals	13	65	46	5	-	129
Reclassifications to assets held for sale	132	387	415	7	-	941
Transfers and reclassifications	-	(6)	-	6	-	-
Effect of movements in exchange rates	54	79	7	2	-	142
At 30 June 2015	(4,093)	(9,381)	(2,012)	(609)	-	(16,095)
At 1 January 2016	(4,793)	(10,743)	(2,819)	(638)	-	(18,993)
Depreciation charge	(385)	(844)	(195)	(42)	-	(1,466)
Disposals	54	96	37	13	-	200
Reclassifications to / from inventories	-	-	-	-	-	-
Transfers and reclassifications	-	-	-	-	-	-
Effect of movements in exchange rates	33	51	4	1	-	89
At 30 June 2016	(5,091)	(11,440)	(2,973)	(666)	-	(20,170)
Net book value						
At 1 January 2015	16,188	9,452	1,264	182	1,004	28,090
At 30 June 2015	16,134	8,805	1,016	164	1,703	27,822
At 1 January 2016	18,537	8,355	1,291	175	663	29,021
At 30 June 2016	18,077	7,704	1,203	1,104	2,367	30,455

During the six-month period ended 30 June 2016 depreciation expense of RUB 1,319 million has been charged in cost of goods sold (30 June 2015: RUB 1,330 million), RUB 39 million in distribution expenses (30 June 2015: RUB 34 million) and RUB 108 million in administrative expenses (30 June 2015: RUB 69 million).

(a) Impairment

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

(b) Security

Properties with a carrying amount of RUB 9,056 million are subject to a registered debenture to secure bank loans (31 December 2015: RUB 8,640 million) (refer to note 23).

Properties with a carrying amount of RUB 281 million are pledged to secure payments under the purchase contracts with payments by instalments. (31 December 2015: RUB 274 million).

(c) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2016 the net book value of leased plant and machinery was RUB 123 million (31 December 2015: RUB 157 million).

14 Intangible assets

mln RUB	Goodwill	Other	Total
Cost			
Balance at 1 January 2015	3,728	1,371	5,099
Additions	-	59	59
Disposals	-	(5)	(5)
Effects of movement in exchange rates	-	(1)	(1)
Balance at 30 June 2015	3,728	1,424	5,152
Balance at 1 January 2016	3,728	1,429	5,157
Additions	-	3	3
Disposals	-	(6)	(6)
Balance at 30 June 2016	3,728	1,426	5,154
Amortisation and impairment losses			
Balance at 1 January 2015	(281)	(442)	(723)
Amortisation charge	-	(31)	(31)
Balance at 30 June 2015	(281)	(473)	(754)
Balance at 1 January 2016	(281)	(503)	(784)
Amortisation charge	-	(31)	(31)
Balance at 30 June 2016	(281)	(534)	(815)
Net book value			
At 1 January 2015	3,447	929	4,376
At 30 June 2015	3,447	951	4,398
At 1 January 2016	3,447	926	4,373
At 30 June 2016	3,447	892	4,339

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

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

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

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

Entity / Business Unit **mln RUB**	**Operating Segment**	**Allocated goodwill**	**Impairment losses**	**Net book value at 30 June 2016**
PJSC "Aeroc Obuchow"(Ukraine)	LSR. Building Materials	819	(164)	655
LSR Europe GmbH	LSR. Real Estate	50	-	50
BU LSR. Reinforced Concrete - North-West	LSR. Building Materials	17	-	17
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	LSR. Real Estate	23	-	23
BU Other	Other	128	(117)	11
BU LSR. Construction - Ural	LSR. Construction	736	-	736
BU LSR. Real Estate - Ural	LSR. Real Estate	1,277	-	1,277
BU LSR. Basic Materials	LSR. Building Materials	155	-	155
OOO "LSR.Stroitelstvo-M"	LSR. Construction	11	-	11
BU LSR. Wall Materials	LSR. Building Materials	512	-	512
		3,728	(281)	3,447

Goodwill will be tested for impairment for all BU as at 31 December 2016.

Although major assumptions remained unchanged, the Group performed impairment review of non-financial assets including goodwill as at 30 June 2016 with regard to those business units, for which impairment indicators were identified.

The cash flow projections and budgeted results were updated to take into consideration current economic circumstances.

Segment “LSR. Building Materials”:

- Cash flows were projected based on budgeted operating results for 2017 and three – twelve years business plans;
- Cash flows for further years were extrapolated assuming 2.00% further growth in production;
- Pre-tax discount rate of 20.20% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 48.54% at a market interest rate of 12.76% p.a. and an industry average beta-coefficient.

Segment “LSR. Construction”:

- Cash flows were projected based on budgeted operating results for 2017 and three years business plans;
- Plan for 2017 is prepared based on the actual contract portfolio and the actual prices;
- Cash flows for further years were assuming 2.00% further growth in production;
- Pre-tax discount rate of 19.68% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 50.07% at a market interest rate of 10.56% p.a. and an industry average beta-coefficient.

Segment “LSR. Real Estate”:

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

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

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

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

- A 10.00% decrease in undiscounted net cash inflows would have caused the impairment loss in respect of the following entities/BU:

Entity / Business unit	**mln RUB**
BU LSR. Wall Materials	679

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

Entity / Business unit	**mln RUB**
BU LSR. Wall Materials	168

15 Other investments

mln RUB	**30 June 2016**	**31 December 2015**
Non-current		
Available-for-sale investments:		
Stated at cost	28	27
Originated loans	150	-
	178	27
Current		
Originated loans	661	85
	661	85

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

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

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

mln RUB	Assets		Liabilities		Net	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Property, plant and equipment	(255)	(262)	981	1,073	726	811
Intangible assets	(3)	(2)	73	79	70	77
Inventories	(6,926)	(8,991)	245	197	(6,681)	(8,794)
Trade and other receivables	(462)	(564)	487	547	25	(17)
Loans and borrowings	(31)	(26)	-	-	(31)	(26)
Trade and other payables	(179)	(149)	5,805	8,950	5,626	8,801
Tax loss carry-forwards	(1,369)	(1,317)	-	-	(1,369)	(1,317)
Tax (assets)/liabilities	(9,225)	(11,311)	7,591	10,846	(1,634)	(465)
Set off of tax	6,377	9,034	(6,377)	(9,034)	-	-
Net tax (assets)/liabilities	(2,848)	(2,277)	1,214	1,812	(1,634)	(465)

Deferred tax assets on tax losses carry-forwards recognised as at 30 June 2016 represent tax effect of accumulated unused tax losses recoverable by the future taxable profit. In assessing recoverability of deferred tax assets on tax losses carry-forward the Group applied the same data as it used for impairment testing of goodwill and property, plant and equipment (refer to note 14).The major part of those tax losses relates to business segments LSR. Building Materials and Other and expire in 2017-2026.

(b) Movement in temporary differences during the period

mln RUB	1 January 2016	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2016
Property, plant and equipment	811	(85)	(1)	1	726
Intangible assets	77	(7)	-	-	70
Inventories	(8,794)	2,113	-	-	(6,681)
Trade and other receivables	(17)	32	10	-	25
Loans and borrowings	(26)	(5)	-	-	(31)
Trade and other payables	8,801	(3,175)	-	-	5,626
Tax loss carry-forwards	(1,317)	(121)	69	-	(1,369)
	(465)	(1,248)	78	1	(1,634)

mln RUB	1 January 2015	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	30 June 2015
Property, plant and equipment	891	(1)	(10)	5	885
Intangible assets	89	(5)	-	-	84
Inventories	(7,797)	1,424	-	-	(6,373)
Trade and other receivables	154	(140)	(18)	-	(4)
Loans and borrowings	(21)	19	-	-	(2)
Trade and other payables	7,794	(1,803)	-	-	5,991
Tax loss carry-forwards	(889)	(441)	(8)	-	(1,338)
	221	(947)	(36)	5	(757)

(c) Unrecognised deferred tax assets

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

mln RUB	30 June 2016	31 December 2015
Tax losses	123	113
Deductible temporary differences on intercompany sales of investments	84	84
Total deferred tax assets have not been recognised	207	197

The tax losses expire in 2017-2026. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that the Group will sell investments in the foreseeable future and can utilize the benefits therefrom.

17 Inventories

mln RUB	30 June 2016	31 December 2015
Work in progress, construction of buildings	104,616	83,939
Lease rights	22,129	22,129
Finished goods, construction of buildings	9,579	8,207
Finished goods and goods for resale	2,876	3,125
Raw materials and consumables	3,201	2,333
Work in progress	1,208	1,537
	143,609	121,270

Inventories with a carrying amount of RUB 1,333 million are subject to a registered debenture to secure bank loans (31 December 2015: RUB 1,381 million) (refer to note 23).

Inventories with a carrying amount of RUB 940 million are pledged to secure payments under the purchase contracts with payment by instalments (31 December 2015: RUB 3,075 million).

Lease rights represent the amount paid to obtain the right of development of land plot. Upon completion of development are capitalized into the cost of object. Lease rights are recognized at the present value (see Note 25).

18 Trade and other receivables

mln RUB	30 June 2016	31 December 2015
Non-current		
Notes receivable on disposals of subsidiaries	250	274
Accounts receivable - trade	43	43
Other receivables	1	-
	294	317
Current		
Prepayments to suppliers	10,782	18,422
Accounts receivable – trade	2,960	2,158
Amounts due from customers for contract work	1,480	1,393
Receivables from share participation agreements	1,467	1,897
VAT receivable	818	523
Notes receivable	151	80
Deferred expenses	106	104
Current receivables on disposals of subsidiaries	18	20
Employee receivables	18	3
Other receivables	2,024	2,781
	19,824	27,381
Provision for doubtful debtors	(1,007)	(1,047)
	18,817	26,334

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

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

19 Cash and cash equivalents

mln RUB	30 June 2016	31 December 2015
Petty cash	5	2
Current accounts	21,258	6,532
Call deposits	3,791	13,900
Cash and cash equivalents in the consolidated interim statement of financial position	25,054	20,434
Cash and cash equivalents in the consolidated interim statement of cash flows	25,054	20,434

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

The Group’s ability to use funds on current accounts is not restricted by the covenant disclosed in note 23.

As at 31 December 2015 within call deposits were classified deposits of RUB 9,500 million, ending in 2017, as the Group had the right to withdraw the contracts at any time. The Group’s ability to use these deposits is not restricted by the covenant disclosed in note 23.

20 Restricted cash

mln RUB	**30 June 2016**	**31 December 2015**
Current		
Restricted cash	22	23
	22	23

During the year 2015 the note was purchased on RUB 21 million for obtaining the independent bank guarantee on future assets sale in OOO “Zagorodnaya, 9” (31 December 2015: RUB 21 million).

21 Equity

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	30 June 2016	**31 December 2015**
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the period	100,974,172	102,030,215
On issue at end of the period	101,065,110	100,974,172

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

(b) Treasury share reserve

The reserve for the Company’s treasury shares comprises the cost of the Company’s shares held by the Company. At the reporting date the Company held 1,965,105 (31 December 2015: 2,056,043) of its own shares.

(c) Dividends

In accordance with Russian legislation the Company’s distributable reserves are limited to the balance of retained earnings as recorded in the Company’s statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2016 the Company had retained earnings, including the profit for the current period, of RUB 8,970 million (as at 31 December 2015: RUB 16,938 million).

In April 2016 the Group distributed dividends in the amount of RUB 8,036 million at value RUB 78.00 per share for financial year ended 31 December 2015.

The dividends include RUB 155 million distributed to the Group’s related party, a single individual, which had acquired respective shares and, therefore, had legal rights as at the distribution date, afterwards the purchase contract was cancelled due to breach of payment terms by the buyer. Transactions described above took place during 6 months 2016.

22 Earnings per share

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

	2016	**2015**
Issued shares at 1 January	100,974,172	102,030,215
Effect of own shares transferred to management / (held)	38,269	(11,944)
Weighted average number of shares for the six-month period ended 30 June	101,012,441	102,018,271

23 Loans and borrowings

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

mln RUB	**30 June 2016**	**31 December 2015**
Non-current		
Secured bank loans	17,397	10,357
Unsecured bank loans	9,458	11,442
Finance lease liability	75	105
	26,930	21,904
Current		
Secured bank loans	5,104	4,162
Unsecured bank loans	11,689	5,735
Unsecured other loans	14	14
Unsecured bond issues	160	1,154
Finance lease liability	59	49
	17,026	11,114

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

mln RUB				30 June 2016		31 December 2015	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured facility	RUB	2.00% - 13.44%	2016 - 2021	22,501	22,501	14,519	14,519
Unsecured facility	RUB	0.00% - 13.95%	2016 - 2018	21,321	21,321	18,345	18,345
Finance lease liability		12.84% - 23.00%	2016 - 2019	134	134	154	154
				43,956	43,956	33,018	33,018

Covenants and other matters

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

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

Credit arrangements for unsecured bank loans of RUB 11,000 million (31 December 2015: RUB 8,500 million) require Group to keep the ratio of bank account (31 December 2015: deposit) opened in the bank-lender to loan principal at no less than one.

The Group complies with covenants described above.

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUB 9,056 million is pledged as collateral to secure bank loans (31 December 2015: RUB 8,640 million) – refer to note 13(b).
- Inventories with a carrying amount of RUB 1,333 million are pledged as collateral to secure bank loans (31 December 2015: RUB 1,381 million) – refer to note 17.

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

Bank loans are secured by the pledge of the following shares in subsidiary companies as at 30 June 2016:

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

24 Provisions

mln RUB	Site finishing	Environ-ment restoration	Warranty provision	Provision for unprofitable contracts	Litigation provision	Total
Current						
Balance at 1 January 2016	844	18	9	1	21	893
Provisions made during the period	179	11	-	11	73	274
Provisions used during the period	(519)	(4)	(1)	-	(10)	(534)
Unused provisions	(1)	(1)	-	-	(63)	(65)
Exchange differences (+/-)	-	-	(1)	-	-	(1)
Balance at 30 June 2016	503	24	7	12	21	567
Non-current						
Balance at 1 January 2016	-	61	-	-	-	61
Provisions made during the period	-	3	-	-	-	3
Provisions used during the period	-	(6)	-	-	-	(6)
Balance at 30 June 2016	-	58	-	-	-	58

(a) Site finishing

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

(b) Environment restoration

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

(c) Warranty provision

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

(d) Provision for unprofitable contracts

Provisions for unprofitable contracts are recognized when the expected revenues are lower than the expected costs to completion.

(e) Litigation provision

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

25 Trade and other payables

mln RUB	**30 June 2016**	**31 December 2015**
Non-current payables		
Accounts payable – trade	14,490	13,670
	14,490	13,670
Current payables		
Prepayments received for flats	83,013	66,447
Accounts payable – trade	12,373	11,352
Advances from customers	4,066	3,441
Taxes and other payables to the budget	2,990	1,855
Employee-related liabilities	1,411	1,068
Accounts due to customers for contract work	568	859
Interest payable	116	108
Deferred income	20	39
Dividends payable	-	2
Other payables	336	1,091
	104,893	86,262

Prepayments received for flats include RUB 38,438 million for flats, which are expected to be delivered after 12 months from the reporting date (31 December 2015: RUB 22,873 million).

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

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

26 Financial risk management

(a) Overview

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

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

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

Risk management framework

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

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

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

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Trade and other receivables

Trade receivables from the largest five debtors of the Group represents approximately RUB 334 million (31 December 2015: RUB 698 million) of the Group's total Trade receivables. Geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

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

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

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

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

(ii) Investments

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

(iii) Guarantees

As at 30 June 2016 guarantees made to third parties were RUB 3,041 million (31 December 2015: RUB 3,525 million), including guarantees in amount of RUB 2,771 million for LLC “Peterburgcement” (till 2015 known as LLC “LSR.Cement-NW), which was disposed to third party in 2014.

Exposure to credit risk

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

mln RUB	**Carrying amount**	
	30 June 2016	**31 December 2015**
Available-for-sale financial assets	28	27
Loans and receivables	7,113	6,206
Cash and cash equivalents	25,054	20,434
Restricted cash	22	23
	32,217	26,690

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

mln RUB	**Carrying amount**	
	30 June 2016	**31 December 2015**
Domestic	2,655	1,841
Euro-zone countries	51	64
Other CIS countries	19	10
	2,725	1,915

The Group’s most significant trade debtor, OOO “Stroycomplex”, accounts for RUB 77 million of the trade receivables carrying amount at 30 June 2016 (31 December 2015 OOO “Potential”: RUB 289 million).

The total amount of impaired trade receivables at the reporting date was RUB 278 million (31 December 2015: RUB 287 million).

The ageing of trade receivables at the reporting date was:

mln RUB	Gross 30 June 2016	Impairment 30 June 2016	Gross 31 December 2015	Impairment 31 December 2015
Not past due	1,337	-	1,000	-
Past due 0-30 days	421	-	475	-
Past due 31-180 days	497	(23)	311	(17)
Past due more than 180 days	748	(255)	415	(270)
	3,003	(278)	2,201	(287)

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

mln RUB	2016	2015
Balance at 1 January	(287)	(192)
Impairment reversal / (loss)	9	(3)
Balance at 30 June	(278)	(195)

The impairment loss at 30 June 2016 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and internal analysis on the underlying customers' credit ratings.

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

mln RUB	2016	2015
Balance at 1 January	(760)	(618)
Impairment reversal / (loss)	31	(56)
Balance at 30 June	(729)	(674)

(c) Liquidity risk

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

The Group uses cash flow budgets which are prepared for each year and quarter to forecast potential liquidity deficit and identify sources of covering that deficit. As at 30 June 2016 the Group's undrawn credit facilities amount is RUB 6,654 million (31 December 2015: RUB 8,623 million). Interest would be payable at the rate of 12.35% to 13.95%.

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

30 June 2016	**Average interest rate**					
mln RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.00% - 13.44%	11.95%	5,104	16,937	460	22,501
Unsecured bank loans:						
RUB*	10.17% - 13.95%	11.39%	9,650	9,458	-	19,108
RUB	CBR rate + 2.00%	12.75%	2,039	-	-	2,039
Unsecured other loans:						
RUB*	0.00% - 10.50%	3.02%	14	-	-	14
Unsecured bond issues:						
RUB*	0.10%	0.10%	160	-	-	160
Finance lease liabilities						
RUB*	12.84% - 21.24%	13.33%	58	75	-	133
Other*	21.99%	21.99%	1	-	-	1
Trade and other payables		-	12,825	14,490	-	27,315
Future interests**		-	4,159	3,594	23	7,776
Guarantees***		-	3,041	-	-	3,041
			37,051	44,554	483	82,088

*Fixed rate

** Future interests contain not charged, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 30 June 2016.

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

31 December 2015	**Average interest rate**					
mln RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.00% - 12.18%	10.41%	4,162	9,898	459	14,519
Unsecured bank loans:						
RUB*	12.22% - 14.00%	13.26%	5,735	11,442	-	17,177
Unsecured other loans:						
RUB*	0.00% - 10.50%	3.19%	14	-	-	14
Unsecured bond issues:						
RUB*	0.10% - 10.15%	9.44%	1,154	-	-	1,154
Finance lease liabilities						
RUB*	12.84% - 14.14%	13.23%	48	104	-	152
Other*	21.99% - 23.00%	22.08%	1	1	-	2
Trade and other payables		-	12,553	13,670	-	26,223
Future interests**		-	3,208	2,189	23	5,420
Guarantees***		-	3,525	-	-	3,525
			30,400	37,304	482	68,186

*Fixed rate

** Future interests contain not charged, expected interests. Future interests do not reflect current payables of the Company. Future interests are calculated based on current facilities of crediting process, which the Company had on 31 December 2015.

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

(d) Market risk

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

(i) Currency risk

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

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

Exposure to currency risk

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

30 June 2016 **mln RUB**	**EUR-denominated**	**USD-denominated**
Trade and other receivables	730	52
Trade and other payables	(633)	(440)
Gross balance sheet exposure	97	(388)

31 December 2015 **mln RUB**	**EUR-denominated**	**USD-denominated**
Trade and other receivables	471	52
Trade and other payables	(14)	(5)
Gross balance sheet exposure	457	47

The following significant exchange rates applied during the period:

	30 June 2016 **RUB**	**31 December 2015** **RUB**
1 USD equals	64.2575	72.8827
1 EUR equals	71.2102	79.6972
1 UAH equals	2.5853	3.0463

Sensitivity analysis

A 10.00% strengthening of RUB against the above currencies would have increased profit by RUB 29 million. A 10.00% weakening of the RUB against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(ii) Interest rate risk

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

Profile

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

mln RUB	**Carrying amount**	
	30 June 2016	**31 December 2015**
Fixed rate instruments		
Financial assets	839	112
Financial liabilities	(41,917)	(33,018)
	(41,078)	(32,906)
Variable rate instruments		
Financial liabilities	(2,039)	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

mln RUB	Profit or loss	
	100 bp increase	**100 bp decrease**
Period ended 30 June 2016		
Variable rate instruments	(20)	20
Cash flow sensitivity	(20)	20

(e) Fair values versus carrying amounts

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

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

mln RUB	Note	Carrying amount 30 June 2016	Fair value 30 June 2016	Carrying amount 31 December 2015	Fair value 31 December 2015
Financial assets					
Available-for-sale financial assets	15	28	28	27	27
Loans and receivables		7,113	7,113	6,206	6,206
Cash and cash equivalents	19	25,054	25,054	20,434	20,434
Restricted cash	20	22	22	23	23
		32,217	32,217	26,690	26,690
Financial liabilities					
Secured bank loans	23	(22,501)	(22,510)	(14,519)	(13,700)
Unsecured bank loans	23	(21,147)	(20,973)	(17,177)	(16,924)
Unsecured other loans	23	(14)	(13)	(14)	(13)
Unsecured bond issues	23	(160)	(143)	(1,154)	(1,104)
Trade and other payables	25	(27,315)	(27,315)	(26,223)	(26,223)
Finance lease liabilities	23	(134)	(134)	(154)	(154)
		(71,271)	(71,088)	(59,241)	(58,118)

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

	30 June 2016	**31 December 2015**
Loans and borrowings	3.65% - 12.10%	4.75% - 13.78%
Leases	12.84% - 21.99%	12.84% - 23.00%

(f) Operational risk

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

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

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

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

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

(g) Capital management

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

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

mln RUB	**30 June 2016**	**31 December 2015**
Total liabilities	165,638	136,387
Less: cash and cash equivalents	(25,054)	(20,434)
Net liabilities	140,584	115,953
Total equity	60,762	67,994
Net liabilities to capital ratio	2.31	1.71

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

mln RUB	**30 June 2016**	**31 December 2015**
Less than one year	1,843	1,349
Between one and five years	2,426	2,162
More than five years	2,863	7,271
	7,132	10,782

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

For the production entities lease payments are expensed as incurred, while for the real estate construction entities lease payments are capitalised to the construction costs of the properties, located on the respective land plots. During the six-month period ended 30 June 2016 an amount of RUB 70 million was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of non-cancellable operating leases. During the six-month period ended 30 June 2016 an amount of RUB 1,902 million was capitalized to the construction cost of the properties, located on the respective land plots.

28 Commitments

At 30 June 2016, the Group was committed to purchase property, plant and equipment for approximately RUB 168 million (31 December 2015: RUB 24 million) net of VAT.

At 30 June 2016 the Group was committed to purchase lease rights with the purpose of future development of real estate, which therefore will be classified as Inventory.

The unpaid amount as at 30 June 2016 equals to approximately RUB 16,350 million. The payment is to be performed by installments during the period between 2016 and 2022.

29 Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

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

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

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

(d) Environmental liabilities

The Group is engaged in dredging sand from the sea bed and quarrying sand in the 8 areas. There is no liability to perform any restoration work in relation to the sea bed after the dredging is complete.

The Group is engaged in crushed stone production in the 6 areas and extraction of clay in 3 areas.

According to existing legislation and the terms of licenses obtained by the Group, there is a liability for the Group to restore these sites when quarrying is complete. In case the planned restoration costs can be identified before the quarrying is completed and the licence is used, the reserve for restoration is recognized.

The costs associated with restoration cannot be determined if, in accordance with existing licences on crushed stone production, the methods of restoration and its cost will be determined in the future. In this case, the reserve for restoration is not recognized.

It is planned that quarrying of the one of the seventeen areas will be completed not earlier that in 2018, the quarrying of the other areas will be completed after 2020.

30 Related party transactions

(a) Control relationships

The Company is ultimately controlled by Andrey Molchanov.

(b) Transactions with management and close family members

The management and their close family members control 5.00% of the voting shares of the Group. (31 December 2015: 5.00%).

(i) Management remuneration

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

mln RUB	**30 June 2016**	**30 June 2015**
Salaries and bonuses	637	422

(ii) Other transactions with management and close family members

mln RUB	**Transaction value period ended**		**Outstanding balance**	
	30 June 2016	**30 June 2015**	**30 June 2016**	**31 December 2015**
Sale of goods and services	17	2	(11)	(7)
Loans received (included into unsecured other loans – refer to note 23)	-	-	-	(2)
Loans given to related parties	-	1	-	-
Dividends paid as a result of transaction described in note 21(c))	155	-	-	-

As at 30 June 2016 there were no loans to executive directors (31 December 2015: nil).

(c) Transactions with other related parties

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

(i) Revenue

mln RUB	Transaction value period ended		Outstanding balance	
	30 June 2016	**30 June 2015**	**30 June 2016**	**31 December 2015**
Sale of goods and services provided to:				
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	7	13	42	46
Companies significantly influenced by the Group key management	8	-	149	-
	15	13	191	46

All outstanding balances with related parties are to be settled in cash within the 12-month of the balance sheet date. None of the balances is secured.

(ii) Expenses and capital expenditures

mln RUB	Transaction value period ended		Outstanding balance	
	30 June 2016	**30 June 2015**	**30 June 2016**	**31 December 2015**
Purchase of goods and services from:				
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	13	6	(8)	(2)
Companies significantly influenced by the Group key management	103	-	2	-
	116	6	(6)	(2)

All outstanding balances with related parties are to be settled in cash within the 12-month of the balance sheet date. None of the balances are secured.

Other expenses to companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners as at 30 June 2016 amounts to RUB 19 million (other expenses 30 June 2015: RUB 24 million). Outstanding balance – nil (31 December 2015: nil).

(iii) Loans

mln RUB	Transaction value period ended		Outstanding balance	
	30 June 2016	**30 June 2015**	**30 June 2016**	**31 December 2015**
Loans received (included into unsecured other loans – refer to note 23):				
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	-	-	12
	-	-	-	12

mln RUB	Transaction value period ended		Outstanding balance	
	30 June 2016	**30 June 2015**	**30 June 2016**	**31 December 2015**
Interest payable (included into other payables):				
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	-	-	-	1
	-	-	-	1

mln RUB	Transaction value period ended		Outstanding balance	
	30 June 2016	**30 June 2015**	**30 June 2016**	**31 December 2015**
Loans given (included into other investments – originated loans category– refer to note 15):				
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	471	12	450	-
Companies significantly influenced by the Group key management	-	-	105	-
	471	12	555	-

mln RUB	Transaction value period ended		Outstanding balance	
	30 June 2016	**30 June 2015**	**30 June 2016**	**31 December 2015**
Interest receivable (included into other receivables):				
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	14	-	-	-
Companies significantly influenced by the Group key management	1	-	-	-
	15	-	-	-

(iv) Transactions with shares / promissory notes

Purchase of shares/promissory notes from

mln RUB	Transaction value period ended		Outstanding balance	
	30 June 2016	**30 June 2015**	**30 June 2016**	**31 December 2015**
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners	61	2,257	61	-
Companies significantly influenced by the Group key management	-	-	21	-
	61	2,257	82	-

31 Subsidiaries

Entity	Country of incorporation	Ownership/ voting interest 30 June 2016	Ownership/ voting interest 31 December 2015
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	Russia	100,00%	100,00%
OOO "LSR.Nedvizimost-SZ"	Russia	100,00%	100,00%
AO "LSR.Zelezobeton-SZ"	Russia	100,00%	100,00%
OOO "LSR.Stroitelstvo-SZ"	Russia	100,00%	100,00%
OAO "LSR.Krany-SZ"	Russia	100,00%	100,00%
AO "LSR.Nedvizimost-M"	Russia	100,00%	100,00%
LSR. Wall Materials Ltd (LSR. Wall Materials-SZ Ltd)	Russia	100,00%	100,00%
LLC "AEROC"	Ukraine	100,00%	100,00%
ZAO "Industrial Leasing"	Russia	100,00%	100,00%
OOO "SPB GDC "YUNA"	Russia	100,00%	100,00%
OOO "MSR-Butovo"	Russia	100,00%	100,00%
Limited Liability Company Smolniy District	Russia	100,00%	100,00%
OOO "LSR. Bazovye-M"	Russia	-	100,00%
LSR Europe GmbH	Germany	100,00%	100,00%
Saargemunder Straße Wohnbau GmbH & Co.KG**	Germany	-	70,00%
Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH	Germany	94,80%	94,80%
LSR - Vermögensverwaltungs GmbH	Germany	85,00%	85,00%
Oefelestraße Projektentwicklungsgesellschaft mbH & Co. KG	Germany	85,00%	85,00%
Projektgesellschaft Bayerstraße 79 mbH	Germany	80,00%	80,00%
Aignerstraße Projektentwicklungsgesellschaft mbH	Germany	100,00%	100,00%
JSC "A Plus Estate"	Russia	100,00%	100,00%
OAO "Stroicorporatciya"	Russia	100,00%	100,00%
OAO MTO "ARHPROEKT"*	Russia	25,00%	25,00%
OOO "Velikan - XXI vek"	Russia	100,00%	100,00%
OOO "LSR.Stenovye-M"***	Russia	-	100,00%
Lsr Group Ltd	Russia	100,00%	100,00%
LSR.Construction-Urals Ltd	Russia	100,00%	100,00%
ZAO "LSR.Nedvizimost-Ural"	Russia	100,00%	100,00%
PJSC "Uralscheben"	Russia	100,00%	100,00%
PJSC "Aeroc Obuchow"	Ukraine	97,36%	97,36%
OOO "LSR.Stroitelstvo-M"	Russia	100,00%	100,00%

Entity	Country of incorporation	Ownership/ voting interest 30 June 2016	Ownership/ voting interest 31 December 2015
OOO “LSR-Stroy”	Russia	100,00%	100,00%
Limited Liability Company “KUZZhBI”	Russia	100,00%	100,00%
ZAO “LSR-Bazovye”	Russia	100,00%	100,00%
OOO “Kamenskoe-3”	Russia	100,00%	100,00%
OOO “Oktyabrskaya, 42”	Russia	100,00%	100,00%
OOO “Landshaft”	Russia	100,00%	100,00%
OOO “Zagorodnaya, 9”	Russia	99,99%	99,99%
OOO “Royal Gardens Hotel”	Russia	100,00%	100,00%
AO "Tsementnyy Elevator"	Russia	98,27%	98,27%
“LSR. Object-M” Ltd	Russia	100,00%	100,00%
OOO “Ravan”	Russia	100,00%	100,00%
OOO “Oblastnye proekty”*	Russia	49,00%	100,00%
LLC “Sanatorium Dunes”*	Russia	49,00%	100,00%
OAO “Zavod ZhBI-6”	Russia	59,11%	59,11%
“LSR. Real Estate” Ltd	Russia	100,00%	100,00%
OOO “RAZVITIE”	Russia	50,00%	50,00%
OOO “LSR. Beton”	Russia	100,00%	-

* The Group retained de facto control.

** Not significant subsidiaries liquidated during the period ended 30 June 2016.

*** Subsidiaries merged to the Group companies during the period ended 30 June 2016.

32 Events subsequent to the reporting date

(a) Financing events

In August 2016 one of the Group subsidiaries entered into a loan agreement with Joint stock company Russian Agricultural Bank. The total amount of revolving credit line granted is limited to RUB 500 million. The loan is to be repaid no later 08 August 2018.

On the 1 August 2016 one of the Group subsidiaries repaid non-revolving credit line in PJSC “Sberbank” with a nominal value of RUB 167 million.

(b) Operating events

There were no operating events subsequent to reporting date.

33 Supplementary disclosures

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

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

Division	Segment	Business unit	Product	Entity
		LSR - Europe	Real Estate	LSR Europe GmbH
				Max-Josephs-Hohe Immobilien und Projektentwicklungs GmbH
				LSR - Vermögensverwaltungs GmbH
				Oefelestraße Projektentwicklungsgesellschaft mbH & Co. KG
				Projektgesellschaft Bayerstraße 79 mbH
				Saargemunder Straße Wohnbau GmbH & Co.KG
				Aignerstraße Projektentwicklungsgesellschaft mbH
				"LSR. Real Estate" Ltd
Other	Other	Other	Other entities	ZAO "Industrial Leasing"
				PJSC LSR Group
				OAO MTO "ARHPROEKT"
				Lsr Group Ltd
				JSC "A Plus Estate"
				OOO "Zagorodnaya, 9"
				OOO "Oblastnye proekty"
				LLC "Sanatorium Dunes"
				PJSC "Uralscheben"

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

For the six-month ended 30 June 2016 mln RUB	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ Amortisation	Capitalized interest recognized in cost of sales	Write off of change in fair value of the disposed asset	EBITDA*
Sand	944	151	**1,095**	236	70	-	-	**306**
Crushed Granite	1,062	327	**1,389**	170	126	-	-	**296**
Eliminations	-	-	-	-	-	-	-	-
LSR. Basic Materials	2,006	478	**2,484**	406	196	-	-	**602**
LSR. Ready-mix Concrete	1,196	94	**1,290**	(91)	82	-	-	**(9)**
Brick	1,467	4	**1,471**	(10)	412	-	-	**402**
Aerated Concrete	1,422	-	**1,422**	232	73	-	-	**305**
Eliminations	-	-	-	-	-	-	-	-
LSR. Wall Materials	2,889	4	**2,893**	222	485	-	-	**707**
LSR. Reinforced Concrete - North-West	1,660	48	**1,708**	251	141	-	-	**392**
Eliminations	-	(387)	**(387)**	(1)	-	-	-	**(1)**
Building Materials	**7,751**	**237**	**7,988**	**787**	**904**	**-**	**-**	**1,691**
LSR. Construction - North-West	49	7,472	**7,521**	397	207	-	-	**604**
LSR. Construction - Moscow	1,988	1,064	**3,052**	(150)	46	-	-	**(104)**
LSR. Construction - Ural	427	1,636	**2,063**	137	87	-	-	**224**
Eliminations	-	(37)	**(37)**	(4)	-	-	-	**(4)**
LSR. Construction	2,464	10,135	**12,599**	380	340	-	-	**720**
LSR. Project management	302	44	**346**	(11)	-	-	-	**(11)**
LSR. Cranes	586	97	**683**	79	88	-	-	**167**
LSR. Real Estate - North-West	13,483	-	**13,483**	3,598	38	(30)	(795)	**4,461**
LSR. Real Estate - Moscow	3,772	-	**3,772**	(935)	7	(84)	-	**(844)**
LSR. Real Estate - Ural	1,735	-	**1,735**	168	1	-	-	**169**
LSR - Europe	-	-	-	(41)	3	-	-	**(38)**
Eliminations	44	-	**44**	(33)	1	-	-	**(32)**
LSR. Real Estate	19,034	-	**19,034**	2,757	50	(114)	(795)	**3,716**
Eliminations	-	(10,251)	**(10,251)**	(137)	-	-	-	**(137)**
Real Estate Development and Construction	**22,386**	**25**	**22,411**	**3,068**	**478**	**(114)**	**(795)**	**4,455**
Other entities	101	-	**101**	-	115	-	-	**115**
Unallocated income and expenses	223	-	**223**	(1,657)	-	-	-	**(1,657)**
Transportation revenue	1,157	-	**1,157**	-	-	-	-	-
Eliminations	-	(262)	**(262)**	(118)	-	-	-	**(118)**
Consolidated	**31,618**	**-**	**31,618**	**2,080**	**1,497**	**(114)**	**(795)**	**4,486**

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

For the six-month ended 30 June 2015 mln RUB	Revenue from external customers	Inter-group revenue	Total revenue	Operating profit (excl. management fee)	Depreciation/ Amortisation	Capitalized interest recognized in cost of sales	Write off of change in fair value of the disposed asset	EBITDA*
Sand	738	145	**883**	60	77	-	-	**137**
Crushed Granite	836	356	**1,192**	(59)	124	-	-	**65**
Eliminations	-	-	-	-	-	-	-	-
LSR. Basic Materials	1,574	501	**2,075**	1	201	-	-	**202**
LSR. Ready-mix Concrete	1,456	83	**1,539**	(55)	59	-	-	**4**
Brick	1,655	9	**1,664**	158	427	-	-	**585**
Aerated Concrete	1,313	5	**1,318**	329	68	-	-	**397**
Eliminations	-	(5)	**(5)**	-	-	-	-	-
LSR. Wall Materials	2,968	9	**2,977**	487	495	-	-	**982**
LSR. Reinforced Concrete - North-West	1,132	82	**1,214**	(44)	146	-	-	**102**
Eliminations	-	(398)	**(398)**	2	-	-	-	**2**
Building Materials	**7,130**	**277**	**7,407**	**391**	**901**	**-**	**-**	**1,292**
LSR. Construction - North-West	225	8,675	**8,900**	704	212	-	-	**916**
LSR. Construction - Moscow	889	2,570	**3,459**	(8)	45	-	-	**37**
LSR. Construction - Ural	257	1,746	**2,003**	105	90	-	-	**195**
Eliminations	-	(10)	**(10)**	(4)	-	-	-	**(4)**
LSR. Construction	1,371	12,981	**14,352**	797	347	-	-	**1,144**
LSR. Project management	747	29	**776**	29	-	-	-	**29**
LSR. Cranes	634	89	**723**	141	88	-	-	**229**
LSR. Real Estate - North-West	15,733	8	**15,741**	5,479	26	(28)	(71)	**5,604**
LSR. Real Estate - Moscow	1,079	-	**1,079**	(89)	3	(2)	-	**(84)**
LSR. Real Estate - Ural	319	-	**319**	(76)	2	-	-	**(74)**
LSR - Europe	394	57	**451**	4	-	-	-	**4**
Eliminations	-	-	-	-	-	-	-	-
LSR. Real Estate	17,525	65	**17,590**	5,318	31	(30)	(71)	**5,450**
Eliminations	-	(13,041)	**(13,041)**	(1,118)	-	-	-	**(1,118)**
Real Estate Development and Construction	**20,277**	**123**	**20,400**	**5,167**	**466**	**(30)**	**(71)**	**5,734**
Other entities	208	-	**208**	-	98	-	-	**98**
Unallocated income and expenses	174	-	**174**	(1,358)	-	-	-	**(1,358)**
Transportation revenue	952	-	**952**	-	-	-	-	-
Eliminations	-	(400)	**(400)**	1	-	-	-	**1**
Consolidated	**28,741**	**-**	**28,741**	**4,201**	**1,465**	**(30)**	**(71)**	**5,767**

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

Net financial position**

mln RUB	**30 June 2016**	**31 December 2015**
LSR. Basic Materials	(142)	(165)
LSR. Ready-mix Concrete	(16)	(131)
LSR. Wall Materials	(6,767)	(7,515)
LSR. Reinforced Concrete - North-West	765	(85)
LSR. Building Materials	(6,160)	(7,896)
LSR. Construction - North-West	8,324	8,193
LSR. Construction - Moscow	(1,648)	(1,341)
LSR. Construction - Ural	(80)	3
LSR. Construction	6,596	6,855
LSR. Project management	162	162
LSR. Cranes	30	(6)
LSR. Real Estate - North-West	(8,165)	(8,874)
LSR. Real Estate - Moscow	(21,598)	(18,945)
LSR. Real Estate - Ural	(488)	-
LSR - Europe	(448)	(502)
LSR. Real Estate	(30,699)	(28,321)
Other entities	(13,885)	(3,812)
Consolidated	**(43,956)**	**(33,018)**

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