Consolidated financial statements and independent auditor's report

CCS-Group

31 December 2014

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
of OJSC "CCS-Group"
106, Boldina str.,
Tula, Russian Federation

We have audited the accompanying consolidated financial statements of OJSC "CCS-Group" and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as of 31 December 2014 and the consolidated statement of comprehensive income, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Grant Thornton
Грант Торнтон

Auditor's Responsibility

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

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

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

Opinion

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

Grant Thornton ZAO

Moscow, Russian Federation
April 23, 2015

Consolidated Statement of Financial Position

	Notes	31 Dec 2014 RUB'000	31 Dec 2013 RUB'000
ASSETS			
Non-current			
Property, plant and equipment	6	571 091	529 154
Intangible assets and goodwill	7	21 187	11 811
Long-term investments	8	13 528	13 366
Deferred tax assets	16	6 439	21 655
Other assets		-	6 802
		612 245	**582 788**
Current			
Inventories	9	40 278	26 577
Trade and other receivables	10	415 127	363 921
Subsidies receivable	11	25 619	-
Other assets	12	42 510	42 411
Cash and cash equivalents	13	584 732	307 915
		1 108 266	**740 824**
Total Assets		**1 720 511**	**1 323 612**
Equity			
Share capital	14	25 109	25 109
Treasury shares	14	(46 145)	(3 342)
Share premium	14	333 846	333 846
Revaluation reserve		299 398	304 529
Retained earnings		170 442	123 740
Total Equity		**782 650**	**783 882**
LIABILITIES			
Non-current			
Loans and borrowings	15	308 191	-
Deferred tax liabilities	16	84 409	84 812
		392 600	**84 812**
Current			
Loans and borrowings	15	85 436	71 962
Trade and other payables	17	403 812	327 873
Other liabilities	18	56 013	55 083
		545 261	**454 918**
Total Liabilities		**937 861**	**539 730**
Total Equity and Liabilities		**1 720 511**	**1 323 612**

The consolidated financial statements were approved by the Management and signed on 23 April 2015.

General Director
CCS-Group

Российская Федерация
Открытое акционерное общество
ОГРН 1097154022547
«ККС-Групп»
город Тула

Finance Director
CCS-Group

Consolidated Statement of Comprehensive Income

	Notes	2014 RUB'000	2013 RUB'000
Sales revenue	19	1 808 356	1 738 702
Government subsidies	19	131 524	-
Cost of sales	20	(1 764 336)	(1 528 279)
Gross profit		**175 544**	**210 423**
Selling and marketing expenses	21	(8 365)	(10 597)
Administrative expenses	22	(138 646)	(139 875)
Other operating expenses, net	23	(13 006)	(20 398)
Operating profit		**15 527**	**39 553**
Net finance income / (costs)	24	72 636	(9 125)
Other expenses, net	25	(1 405)	(14 882)
Profit before income tax		**86 758**	**15 546**
Income tax expense	26	(46 469)	(10 901)
Profit for the period		**40 289**	**4 645**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Deferred tax write-off due to disposal of revalued assets		1 282	285
Other comprehensive income for the period, net of tax		**1 282**	**285**
Total comprehensive income for the period		**41 571**	**4 930**

Consolidated Statement of Cash Flows

	Notes	2014 RUB'000	2013 RUB'000
Cash flows from operating activities			
Profit for the period before taxation		**86 758**	**15 546**
Adjustments for:			
Depreciation and amortisation		85 941	70 631
Net foreign exchange gain		(80 040)	-
Impairment of doubtful trade and other receivables and prepayments		1 170	20 052
Interest income		(11 740)	(2 908)
Interest expense		16 407	8 729
Loss from disposal of property, plant and equipment		2 789	1 169
VAT non-deductable		1 146	8 328
Provision for unused vacation		3 279	5 057
Profit from disposal of subsidiaries		-	(9 966)
		105 710	**116 566**
Adjustments for:			
Change in inventories in course of operational activities		(13 158)	(3 921)
Change in trade and other receivables in course of operational activities		(35 316)	(140 804)
Change in subsidies receivable		(25 619)	-
Change in trade and other payables in course of operational activities		58 763	77 717
Interest paid		(12 896)	(8 236)
Interest received		11 740	-
Income taxes paid		(21 361)	(32 996)
Net cash from operating activities		**67 863**	**8 326**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(120 861)	(35 535)
Proceeds from disposal of property, plant and equipment		17 295	-
Proceeds from disposal of subsidiaries		-	20
Purchase of investments		(161)	(161)
Disposal in investments		-	(260)
Acquisition of subsidiary, net of cash acquired		(44 090)	-
Net cash used in investing activities		**(147 817)**	**(35 936)**
Cash flows from financing activities			
Proceeds from loans and borrowings		710 660	624 570
Repayment of loans and borrowings		(383 060)	(647 520)
Payment of commission related to EBRD and IFC loans		(7 746)	(6 434)
Government grants used		-	(6 786)
Purchase of treasury shares		(42 803)	(594)
Issue of share capital		-	343 890
Net cash from financing activities		**277 051**	**307 127**
Effect of exchange rate changes on cash and cash equivalents		**79 720**	-
Net change in cash and cash equivalents		**276 817**	**279 517**
Cash and cash equivalents at beginning of the period	13	307 915	28 398
Cash and cash equivalents at end of the period	**13**	**584 732**	**307 915**

Consolidated Statement of Changes in Equity

	Share capital	Treasury shares	Share premium	Asset revaluation reserve	Retained earnings	**Total**
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	**RUB'000**
Balance at 1 January 2013	**15 065**	**(3 008)**	**-**	**305 670**	**117 669**	**435 396**
Issue of shares	10 044	-	333 846	-	-	343 890
Treasury shares disposal	-	259	-	-	-	259
Treasury shares purchase	-	(594)	-	-	-	(594)
Total transactions with shareholders	**10 044**	**(334)**	**333 846**	**-**	**-**	**343 556**
Profit for the period	-	-	-	-	4 645	4 645
Other comprehensive income / (loss)						
Change in assets revaluation reserve	-	-	-	(1 141)	1 141	-
Deferred tax write-off due to disposal of revalued assets	-	-	-	-	285	285
Total comprehensive income / (loss) for the period	-	-	-	(1 141)	6 071	4 930
Balance at 31 December 2013	**25 109**	**(3 342)**	**333 846**	**304 529**	**123 740**	**783 882**
Balance at 1 January 2014	**25 109**	**(3 342)**	**333 846**	**304 529**	**123 740**	**783 882**
Treasury shares purchase	-	(42 803)	-	-	-	(42 803)
Total transactions with shareholders	-	(42 803)	-	-	-	(42 803)
Profit for the period	-	-	-	-	40 289	40 289
Other comprehensive income / (loss)						
Asset revaluation reserve	-	-	-	(5 131)	5 131	-
Deferred tax write-off due to revalued assets disposal	-	-	-	-	1 282	1 282
Total comprehensive income / (loss) for the period	-	-	-	(5 131)	46 702	41 571
Balance at 31 December 2014	**25 109**	**(46 145)**	**333 846**	**299 398**	**170 442**	**782 650**

1. Background

1.1 Principal activities

The primary activities of OJSC "CCS-Group" ("the Company") and its subsidiaries (together referred to as "the Group") are production and distribution of heat energy to population and commercial customers as well as providing other communal services. In 2014 the Group started production and distribution of electricity as a result of acquisition of Klintsovskaya TEC in 4th quarter 2014. The production and distribution facilities of the Group for production and distribution are located mostly in Tula, Bryansk and Kemerovo regions of Russia.

The Group's total headcount as at 31 December 2014 was 1,284 (31 December 2013: 1,319).

OJSC "CCS-Group" permanently domiciled in Russian Federation since 1 October 2009. The Company's registered office is located at 106, Boldina street, Tula, 300028, Russian Federation.

The Company is owned 18.52% by the fund Magna Carta Capital Limited, 18.20% by IFC, 18.20% by EBRD and 11.86% by the fund Specialised Power Master Fund Limited. From its formation, the Group has expanded substantially through acquisition of assets and incorporation of subsidiaries. A list of subsidiaries is presented in Note 33 "Subsidiaries".

1.2 Operating environment of the Group

Business of the Group is concentrated in the Russian Federation. While the world economy recovers after crisis, Russia is exposed to difficulties related to fall of oil prices and sanctions imposed by the United States, the European Union and some other countries in connection with crisis in Ukraine.

The accompanying consolidated financial statements reflect current management's assessment of the impact of the current 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

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted and published by the International Accounting Standards Board ("the IASB).

2.2 Basis of measurement

The consolidated financial statements are prepared on the historical or amortised cost basis except that property, plant and equipment are revalued periodically.

2.3 Functional and presentation currency

The presentation currency used in the preparation of these consolidated financial statements is Russian Rubles ("RUB"). Management has used the RUB to manage most financial risks and exposures and to manage performance of the Group.

The functional currencies of the Group subsidiaries are chosen to reflect the economic substance of the underlying events and circumstances relevant for the given entity. The functional currency of the Group is Russian Rouble ("RUB").

Financial information has been rounded to the nearest thousand RUB.

2.4 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

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

- Trade and other receivables as described in Note 10 "Trade and other receivables";
- Impairment of other assets as described in Note 3.7 "Impairment";
- Revaluation of property, plant and equipment as described in Note 6 "Property, plant and equipment";
- Tax contingencies as described in Note 30.3 "Contingencies".

2.5 Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realisation of assets and the settlement of liabilities in the normal course of business.

3. Summary of significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of the consolidated financial statements.

3.1 Subsidiaries

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 December 2014. Subsidiaries are those enterprises and businesses controlled by the Group. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised gains and losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the consolidated financial statements have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Acquired subsidiaries are consolidated using the purchase method of accounting. This involves the revaluation at fair value of all identifiable assets and liabilities including contingent liabilities of the subsidiary as at the acquisition date regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their revalued amounts which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. The cost of acquisition is measured at fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange including costs directly attributable to the acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired the difference is recognised directly in the consolidated statement of comprehensive income.

3.2 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

3.3 Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every five years, valuations by external independent appraisers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

3. Summary of significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

A revaluation increase on an item of property, plant and equipment is recognised directly in equity except to the extent that it reverses a previous revaluation decrease recognised in the consolidated statement of comprehensive income. A revaluation decrease on an item of property, plant and equipment is recognised in the consolidated statement of comprehensive income except to the extent that it reverses a previous revaluation increase recognised directly in equity.

Items of property, plant and equipment acquired after periodic revaluation are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes cost of materials, direct labour and an appropriate portion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognised in the consolidated statement of comprehensive income as an expense as incurred.

Property, plant and equipment, other than land and buildings are accounted for using historical cost model.

Depreciation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets. Land is not depreciated. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Buildings	15 – 55 years
Machinery and equipment	3 – 15 years
Vehicles	5 – 7 years
Furniture, fixture and fittings	2 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

3.4 Intangible assets

Lease rights are shown at historical cost. Lease rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of lease rights over their estimated useful lives, which is 10 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years). Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 3 years). Costs associated with maintaining computer software are expensed as incurred.

3. Summary of significant accounting policies (continued)

3.4 Intangible assets (continued)

Amortisation is charged on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Such intangible assets are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains or losses arising from derecognition of an intangible asset are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

3.6 Financial instruments

Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:
- loans and receivables;
- financial assets at fair value through profit or loss (FVTPL);
- held-to-maturity (HTM) investments;
- available-for-sale (AFS) financial assets.

3. Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

HTM investments
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AFS financial assets
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

AFS financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss.

3. Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.7 Impairment

The carrying amounts of Group's financial assets carried at amortised cost/cost and non-financial assets, not including deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Financial assets carried at amortised cost
The Group reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has an impact on the estimated future cash flows of the loan that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of loss is measured as difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivables original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

3. Summary of significant accounting policies (continued)

3.7 Impairment (continued)

Financial assets carried at cost
Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of loans and receivables are recognised in the consolidated statement of comprehensive income and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets
Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. 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 an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in the consolidated statement of comprehensive income and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed 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.

3.8 Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted-average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

3.9 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. Summary of significant accounting policies (continued)

3.11 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.12 Equity

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as a share premium.

When share capital recognised as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

3.13 Employee benefits

The Group provides remuneration package consisting of basic salary and bonuses. They are charged to cost of sales and operating expenses. In the normal course of business the Group contributes to the local state pension funds on behalf of its employees. The mandatory contributions to the governmental pension funds are expensed as incurred.

3.14 Taxation

Income tax on profit for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Summary of significant accounting policies (continued)

3.14 Taxation (continued)

Deferred tax is the change in the amount of income taxes payable (recoverable) in future periods in respect of the temporary taxable (deductible) differences and carry-forward of unused tax losses. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability settled based on the tax rates that have been enacted or substantively enacted at the reporting date.

3.15 Revenue

Revenue from production and distribution of heat energy to population and commercial customers are recognised when heat are supplied to customers.

Revenue from other communal services is recognised in the consolidated statement of comprehensive income when services are rendered.

No revenue is recognised if there are significant uncertainties regarding recoverability of the consideration due and associated costs.

3.16 Government subsidies

Subsidies provided by the Kiselevsk Government to compensate the Group for the losses incurred as a result of selling heat to public at regulated reduced tariffs, are recognized in profit or loss in the period in which they were incurred.

3.17 Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Interest expense is recognised in the consolidated statement of comprehensive income in the amount of change of the carrying amount of liability other than from cash payments or cash receipts. All interest costs incurred in connection with borrowings, which are not directly attributable to the acquisition, construction or production of qualifying assets, are expensed as incurred.

3.18 Finance income / costs

Finance income / costs comprise interest expense on borrowings, interest income on funds invested, dividend income, bank fees and foreign exchange gains and losses recognised in the consolidated statement of comprehensive income.

4. Application of new and revised International Financial Reporting Standards

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2014

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

"Investment Entities — Amendments to IFRS 10, IFRS 12 and IAS 27"
The Amendments define the term "investment entity", provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.
Management has concluded that there is no material impact on the Group's consolidated financial statements.

Amendments to IAS 32 "Financial Instruments: Presentation"
The Amendments add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- that some gross settlement systems may be considered equivalent to net settlement.

The Amendments are required to be applied retrospectively. Management has concluded that there is no material impact on the Group's consolidated financial statements from these Amendments.

Amendments to IAS 36 "impairment of assets"
The Amendments modified some of the disclosure requirements in IAS 36 *Impairment of Assets* regarding measurement of the recoverable amount of impaired assets. The amendments resulted from the IASB's decision in December 2010 to require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal.

The amendment is perceived to require disclosure of the recoverable amount of any cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives.

The amendments to IAS 36 did not have a material impact on these consolidated financial statements.

A number of amendments are effective for annual periods beginning on or after 1 July 2014.

4. Application of new and revised International Financial Reporting Standards (continued)

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2014 (continued)

Annual Improvements to IFRSs 2010–2012 Cycle issued on 12 December 2013, amending the following pronouncements:

IFRS	Amendments
IFRS 2 *Share-based Payment*	**Definition of 'vesting condition'** Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
IFRS 3 *Business Combinations* (with consequential amendments to other standards)	**Accounting for contingent consideration in a business combination** Clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.
IFRS 8 *Operating Segments*	**Aggregation of operating segments** Requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. **Reconciliation of the total of the reportable segments' assets to the entity's assets** Clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
IFRS 13 *Fair Value Measurement* (amendments to the basis of conclusions only, with consequential amendments to the bases of conclusions of other standards)	**Short-term receivables and payables** Clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
IAS 16 *Property, Plant and Equipment*	**Revaluation method - proportionate restatement of accumulated depreciation** Clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
IAS 24 *Related Party Disclosures*	**Key management personnel** Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
IAS 38 *Intangible Assets*	**Revaluation method - proportionate restatement of accumulated amortisation** Clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The changes to the standards made by Annual Improvements to IFRSs 2010–2012 Cycle did not have a material impact on these consolidated financial statements.

4. Application of new and revised International Financial Reporting Standards (continued)

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2014 (continued)

Annual Improvements to IFRSs 2011–2013 Cycle issued on 12 December 2013, amending the following pronouncements:

Standard	Amendments
IFRS 13 *Fair Value Measurement*	**Scope of of paragraph 52 (portfolio exception)** Clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*.
IAS 40 *Investment Property*	**Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property** Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property* requires the separate application of both standards independently of each other.

The changes to the standards made by Annual Improvements to IFRSs 2011–2013 Cycle did not have a material impact on these consolidated financial statements.

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

4. Application of new and revised International Financial Reporting Standards (continued)

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

The IASB issued Annual Improvements to IFRSs 2012–2014 Cycle on 25 September 2014, amending the following standards:

Standard	Amendments
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	**Changes in methods of disposal.** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
IFRS 7 *Financial Instruments: Disclosures* (with consequential amendments to IFRS 1)	**Servicing contracts.** Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. **Applicability of the amendments to IFRS 7 to condensed interim financial statements.** Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.
IAS 19 *Employee Benefits*	**Discount rate: regional market issue.** Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
IAS 34 *Interim Financial Reporting*	**Disclosure of information 'elsewhere in the interim financial report'.** Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference

These amendments apply to annual periods beginning on or after 1 January 2016. Earlier application is permitted.

IFRS 15 *Revenue from Contracts with Customers* establishes the principles shat an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

IFRS 15 replaces the following standards and interpretations

- 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

IFRS 15 effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2017. Earlier application is permitted.

4. Application of new and revised International Financial Reporting Standards (continued)

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group (continued)

The International Accounting Standards Board (IASB) has published 'Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)'. The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

IAS 27 Separate Financial Statements Amended was amended by *Equity Method in Separate Financial Statements (Amendments to IAS 27)*. Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5. Acquisition of subsidiaries

5.1 Acquisition of the 100% stake in LLC "Klintsovskaya TEC"

In October, 2014 the Group purchased 100% ownership in LLC "Klintsovskaya TEC" located in Bryansk region from the third party, OJSC "Quadra", whose principal activities are electricity production, heat production and distribution. The Group fully paid RUB 45,822 thousand as a total consideration.

The acquisition was recorded under the acquisition method. The fair value of net assets acquired comprised RUB 39,777 thousand. The excess of acquisition cost of LLC "Klintsovskaya TEC" over the fair value of identifiable net assets amounted to RUB 6,045 thousand, was recorded as a goodwill.

The results of operations of LLC "Klintsovkaya TEC" were included in the accompanying consolidated statement of income from the date of acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Fair value of assets and liabilities LLC "Klintsovskaya TEC" as of October,02 2014 RUB'000
ASSETS	
Property, plant & equipment	32 187
Intangible assets	35
Deferred tax assets	5 205
Inventories	543
Receivables and other current assets	21 278
Cash	1 732
	60 980
LIABILITIES	
Deferred tax liability	6 459
Trade and other payables	14 678
Other current liabilities	66
	21 203
Share of the Group in the net identifiable assets	100%
Fair value of acquired net identifiable assets	**39 777**
Consideration paid	45 822
Excess of cost over Group's interest in the net fair value of the acquired subsidiary's identifiable assets and liabilities	**6 045**

6. Property, plant and equipment

In thousands of RUB	Land and buildings	Machinery and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
Cost / revalued amount						
At 31 December 2013	623 367	24 116	21 507	1 270	1 634	671 894
Acquisition of subsidiaries	26 391	4 433	1 354	9	-	32 187
Additions	46 311	18 464	10 812	171	33 298	109 056
Disposals	(17 111)	(1 110)	(2 293)	-	-	(20 514)
At 31 December 2014	**678 958**	**45 903**	**31 380**	**1 450**	**34 932**	**792 623**
Depreciation and impairment						
At 31 December 2013	125 956	7 149	8 845	790	-	142 740
Depreciation charge	74 920	5 461	3 963	340	-	84 684
Disposals	(5 074)	(780)	(38)	-	-	(5 892)
						-
At 31 December 2014	**195 802**	**11 830**	**12 770**	**1 130**	**-**	**221 532**
Revalued amounts at						
At 31 December 2014	**483 156**	**34 073**	**18 610**	**320**	**34 932**	**571 091**
At 31 December 2013	497 410	16 967	12 662	481	1 634	529 154

In thousands of RUB	Land and buildings	Machinery and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
Cost / revalued amount						
At 31 December 2012	598 098	22 877	18 848	918	-	640 741
Additions	26 462	1 479	2 659	385	1 634	32 619
Disposals	(1 193)	(240)	-	(32)	-	(1 465)
At 31 December 2013	623 367	24 116	21 507	1 271	1 634	671 895
Depreciation and impairment						
At 31 December 2012	61 683	4 898	5 909	457	-	72 947
Depreciation charge	64 515	2 266	2 936	344	-	70 061
Disposals	(241)	(15)	-	(11)	-	(267)
At 31 December 2013	125 957	7 149	8 845	790	-	142 741
Revalued amounts at						
At 31 December 2013	**497 410**	**16 967**	**12 662**	**481**	**1 634**	**529 154**
At 31 December 2012	536 415	17 979	12 939	461	-	567 794

6. Property, plant and equipment (continued)

Assets pledged as security

Land and buildings with a collateral amount of RUB 193,772 thousand (31 December 2013: RUB 193,772 thousand) are pledged to secure bank loans (refer to Note 15 "Loans and borrowings").

Revaluation

Management based their estimate of the fair value of the property, plant and equipment mostly on the results of the independent appraisals. The independent appraisals were performed by ZAO NP Consult, a member of the Moore Stephens International Limited. As at 31 December 2011 land and buildings owned by the Group were evaluated in course of periodic valuation in accordance with the adopted accounting policy.

Two methods were used during the valuation of assets: Income capitalisation approach and Cost approach.

The test for adequate profitability of the assets and possible impairment was performed using discounted cash flow (DCF) method. DCF model included projections over 7 year period and was based on the following main assumptions:

- Revenue growth assumption — 7-10% for earlier periods gradually decreasing to 3%;
- Macroeconomic assumptions per official government forecasts;
- Discount rate — WACC estimated at 21,2% applied to RUB cash flows;
- EBITDA margin: 1,7-7,1%.

Historical cost

The net book value of property, plant and equipment that would have been recognised under the historic cost method is RUB 312,159 thousand as at 31 December 2014 (31 December 2013: RUB 222,909 thousand).

7. Intangible assets and goodwill

In thousands of RUB	Goodwill	Acquired software licenses	Acquired lease rights	Technical documentation	Prepayment for technical documentation	Total
Cost						
Cost at 31 December 2013	-	689	4 311	-	8 590	13 590
Additions	-	517	-	-	4 036	4 553
Acquisition of subsidiaries	6 045	35	-	-	-	6 080
Transfers	-	-	-	6 271	(6 271)	-
At 31 December 2014	**6 045**	**1 241**	**4 311**	**6 271**	**6 355**	**24 223**
Amortisation and impairment						
At 31 December 2013	-	375	1 404	-	-	1 779
Amortisation charge	-	300	382	575	-	1 257
At 31 December 2014	**-**	**675**	**1 786**	**575**	**-**	**3 036**
Carrying value						
At 31 December 2014	**6 045**	**566**	**2 525**	**5 696**	**6 355**	**21 187**
At 31 December 2013	-	314	2 907	-	8 590	11 811

7. Intangible assets (continued)

In thousands of RUB	Acquired software licenses	Acquired lease rights	Prepayment for technical documentation	Total
Cost				
Cost at 31 December 2012	451	4 311	6 035	10 797
Additions	238	-	2 555	2 793
At 31 December 2013	689	4 311	8 590	13 590
Amortisation and impairment				
At 31 December 2012	188	1 021	-	1 209
Amortisation charge	187	383	-	570
At 31 December 2013	375	1 404	-	1 779
Carrying value				
At 31 December 2013	**314**	**2 907**	**8 590**	**11 811**
At 31 December 2012	263	3 290	6 035	9 588

Prepayment for technical documentation includes Tula region heating scheme design with estimated useful life of 13 years and expected date of transfer to intangible assets is 2015.

8. Long-term investments

	31 December 2014 RUB'000	31 December 2013 RUB'000
Promissory notes	13 528	13 366
Total long-term investments	**13 528**	**13 366**

Promissory notes were issued by LLC "FinTrade" at maturity date on May 2018.

9. Inventories

	31 December 2014 RUB'000	31 December 2013 RUB'000
Raw materials other than coal	18 860	12 340
Heating oil	14 859	-
Coal	6 461	14 139
Consumables	98	98
Total inventories	**40 278**	**26 577**

10. Trade and other receivables

	31 December 2014 RUB'000	31 December 2013 RUB'000
Trade receivables	440 617	390 413
Allowance for doubtful trade receivables	(42 073)	(42 847)
Trade receivables, net	**398 544**	**347 566**
Other receivables	17 483	19 498
Allowance for doubtful other receivables	(900)	(3 143)
Other receivables, net	**16 583**	**16 355**
Total trade and other receivables	**415 127**	**363 921**

There is no significant concentration of credit risk, as the amounts recognised mostly relate to a large quantity of receivables from medium and small customers based in Russia.

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The Group does not hold any collateral as security over these balances.

Trade receivables that are past due but less than 6 months are not considered impaired unless there is indication that such impairment exists.

The aging analysis of overdue trade and other receivables are as follows:

	31 December 2014 RUB'000	31 December 2013 RUB'000
Receivables not overdue	133 441	136 109
Receivables overdue	324 659	273 802
Not more than 1 month	75 756	53 350
More than 1 month but not more than 6 months	104 445	121 416
More than 6 months but not more than 9 months	51 545	19 781
More than 9 months but not more than 1 year	5 879	5 812
More than 1 year	87 034	73 443
Total	**458 100**	**409 911**

Trade and other receivables that are past due more than 6 months have been reviewed for indications of impairment. Certain trade and other receivables were found to be impaired and provision for impairment in the amount of RUB 42,973 thousand (31 December 2013: RUB 45,990 thousand) was created. The impaired receivables are mostly due from companies that are experiencing financial difficulties or went bankrupt and due from individuals based on percentage of collectability of this type of trade and other receivables. The aging of these receivables is as follows:

	31 December 2014 RUB'000	31 December 2013 RUB'000
More than 6 months but not more than 9 months	15 380	24 275
More than 9 months but not more than 1 year	4 637	5 769
More than 1 year	22 956	15 946
Balance at end of period	**42 973**	**45 990**

10. Trade and other receivables (continued)

Movements in the allowance for doubtful trade and other receivables are as follows:

	2014 RUB'000	2013 RUB'000
Balance at the beginning of the period	45 990	25 938
Charge for the period, net	1 170	20 052
Write-offs during the period	(4 187)	-
Balance at end of period	**42 973**	**45 990**

11. Subsidies receivable

	31 December 2014 RUB'000	31 December 2013 RUB'000
Subsidies from Kiselevsk Government, Kemerovo Oblast	25 619	-
Total subsidies receivable	**25 619**	**-**

12. Other assets

	31 December 2014 RUB'000	31 December 2013 RUB'000
Income tax prepayment	19 338	25 510
VAT to be reclaimed	13 515	7 142
Prepayments for materials and supplies	9 488	8 957
Other tax prepayments	169	802
Total other assets	**42 510**	**42 411**

13. Cash and cash equivalents

	31 December 2014 RUB'000	31 December 2013 RUB'000
Short-term deposits	530 037	294 750
Cash at bank	54 398	13 064
Cash in hand	297	101
Total cash and cash equivalents	**584 732**	**307 915**

13. Cash and cash equivalents (continued)

As of 31 December 2014 total cash and cash equivalents includes bank deposits in Rubles and foreign currency placed in Sberbank and Gazprombank on the following terms:

Deposit	Currency	Amount in currency	Annual interest rate,	Maturity date
Deposit 1	USD	2 009 025	1.69%	21.01.2015
Deposit 2	EURO	1 769 787	1.33%	21.01.2015
Deposit 3	RUB	175 000 000	28.00%	10.03.2015
Deposit 4	RUB	80 000 000	26.35%	26.01.2015
Deposit 5	RUB	3 460 000	10.77%	05.02.2015

14. Share Capital

As at 31 December 2014 authorized and issued share capital of the Company consisted of 5,021,816,787 ordinary shares with the nominal value of 0.005 RUB each (5,021,816,787 ordinary shares as at 31 December 2013).

	2014	2013
As at 31 December		
Shares issued and fully paid at 1 January	5 021 816 787	3 013 025 125
Additional issue on 31 January 2013, net of shares purchased by subsidiaries of the Group (reserved shares)	-	2 008 791 662
Total authorised and issued shares at 31 December	**5 021 816 787**	**5 021 816 787**

In January 2013 the Group issued 2,506,658,195 additional ordinary shares. 497,866,533 ordinary shares were not sold to the shareholders and were reserved by the Group. As at 31 December 2014 total number of ordinary shares equal 5,519,683,320 (including 497,866,533 reserved shares) with nominal value of 0.005 RUB each.

In February 2014 the Group purchased 245,651,977 treasury shares for a total consideration of RUB 42,803 thousand.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Group. The Company did not declare dividends for 2012 - 2013.

14. Share Capital (continued)

List of shareholders of the Company is presented below.

Shareholder's name	The part of Share Capital as of 31 Dec 2014 %	31 Dec 2013 %
EBRD	18.20	18.20
IFC	18.20	18.20
Magna Carta Capital Limited	18.52	18.52
Specialised Power Master Fund Limited	11.86	11.86
HH GENERATION INC.	9.44	9.44
Reserved shares issued by the Company and held by subsidiaries of the Group	9.02	9.02
Treasury shares	5.06	0.37
SIB (Cyprus) Limited	-	4.94
Other	9.70	9.45
Total	**100**	**100**

On 19.09.2013 Put and Call Option Agreement between Magna Carta Capital Limited, LLC "Kiselevskaya ob'edinennaya teplovaya kompaniya" (KOTK LLC), LLC "Novomoskovskaya teplovaya kompaniya" (NTK LLC), LLC "Regionalnye teplovye seti" (RTS LLC) , LLC "Resurs Plavsk" (Resource Plavsk LLC) (the "Grantors") and European Bank for Reconstruction and Development ("EBRD") (the "Put and Call Option Agreement") and Amended and Restated Put and Call Option Agreement between Magna Carta Capital Limited, KOTK LLC, NTK LLC, RTS LLC, Resource Plavsk LLC and International Finance Corporation ("IFC") originally dated 20.12.2012 and amended and restated on 19.09.2013 (the "Amended and Restated Put and Call Option Agreement") were signed.

According to provisions of the Put and Call Option Agreement EBRD shall have a right, exercisable in its sole discretion, at any time during the Exit Put Period, to sell to the Grantors all but not less than all of the EBRD Shares held by EBRD on the relevant Option Settlement Date at the Exit Put Price determined as of such Option Settlement Date in accordance with Section 3.02 (Exit Put Price) of the Put and Call Option Agreement and the Grantors agreed, on a joint and several basis, to purchase and pay for such EBRD Shares.

According to provisions of the Amended and Restated Put and Call Option Agreement IFC shall have the right (the "Exit Put Option"), exercisable in its sole discretion, at any time during the Exit Put Period, to sell to the Grantors all but not less than all of the IFC Shares held by IFC on the relevant Option Settlement Date at the Exit Put Price determined as of such Option Settlement Date in accordance with Section 3.02 (Exit Put Price) of the Amended and Restated Put and Call Option Agreement and the Grantors agreed, on a joint and several basis, to purchase and pay for such IFC Shares.

14. Share Capital (continued)

Based on confirmations received by the Company in case during the Exit Put Period EBRD will exercise the right to sell all but not less than all of the EBRD Shares held by EBRD on the relevant Option Settlement Date at the Exit Put Price determined as of such Option Settlement Date in accordance with Section 3.02 (Exit Put Price) of the Put and Call Option Agreement or in case during the Exit Put Period IFC will exercise the right to sell all but not less than all of the IFC Shares held by IFC on the relevant Option Settlement Date at the Exit Put Price determined as of such Option Settlement Date in accordance with Section 3.02 (Exit Put Price) of the Amended and Restated Put and Call Option Agreement, Magna Carta Capital Limited will pay for the shares in full. Due to mentioned above, exit put options owned by EBRD and IFC do not give rise to any liabilities for CCS-Group and management elected not to disclose these options in the financial statements of CCS-Group for the period ended 31 December 2014.

15. Loans and borrowings

	31 December 2014 RUB'000	31 December 2013 RUB'000
Non-current		
Loans and borrowings	308 191	-
Current		
Secured bank loans	74 899	71 100
Interest payable	10 537	862
Total loans and borrowings	**393 627**	**71 962**

Terms and repayment schedule are as follows:

Loans outstanding as at 31 December 2014:

Lender	Currency	Outstanding principal RUB'000	Nominal annual interest rate	Effective interest rate	Year of maturity
Gazprombank	RUB	73 700	15.0%	15.0%	2015
IFC	RUB	75 000	10.60%	11.51%	2022
IFC	RUB	175 000	10.42%	11.51%	2022
EBRD	RUB	75 000	15.6%	24.60%	2023

Loans outstanding as at 31 December 2013:

Lender	Currency	Outstanding principal RUB'000	Nominal annual interest rate	Effective interest rate	Year of maturity
Gazprombank	RUB	71 100	11.5%	11.5%	2014

15. Loans and borrowings (continued)

The table below represents collateral amounts of loans securities as of 31 December 2014 and 31 December 2013:

	31 December 2014 RUB'000	31 December 2013 RUB'000
Property, plant and equipment (Ref. Note 6)	193 772	193 772

In 2013 the Group signed the loan agreement with Gazprombank for loan facility by several one-year tranches. In the current period the Group received in amount of RUB 190,460 thousand and repaid principal in amount of RUB 237,060 thousand. The full repayment of the loan received is scheduled for 2015.

The objective of receiving of this loan was financing of working capital of the Group.

In December 2012 the Group entered into a loan agreement with the International Finance Corporation (IFC) in the amount of RUB 250,000 thousand with a maturity date up to 2022 year. At the reporting date the Group received RUB 250 000 000.

In September 2013 the Group entered into a loan agreement with the European Bank for Reconstruction and Development (EBRD) in the amount of RUB 350,000 thousand with a maturity date up to 2023 year. At the reporting date the Group received RUB 75 000 000.

The objective of receiving of these loans was financing of investment programs of the Group.

In these consolidated financial statements the loans received are carried at amortised cost which accounts for costs incurred by the Group directly attributable to receiving of the loans. The offering memorandum of guaranteed notes and loan agreements impose financial covenants tested on every reporting date. Based on these consolidated financial statements the Group has met these covenants.

16. Deferred tax assets and liabilities

	Assets		**Liabilities**		**Net**	
	31 Dec 2014 RUB'000	31 Dec 2013 RUB'000	31 Dec 2014 RUB'000	31 Dec 2013 RUB'000	31 Dec 2014 RUB'000	31 Dec 2013 RUB'000
Property, plant and equipment	1 213	18 957	(81 661)	(83 098)	**(80 448)**	(64 140)
Intangible assets	-	-	(608)	(623)	**(608)**	(623)
Inventories	18	9	(5)	(5)	**13**	4
Receivables and prepayments	10 766	-	(21 381)	(1 061)	**(10 615)**	(1 061)
Payables and accruals	1 679	2 688	(21)	(25)	**1 658**	2 663
Tax losses carried forward	12 030	-	-	-	**12 030**	-
	25 706	**21 655**	**(103 676)**	**(84 811)**	**(77 970)**	**(63 157)**

16. Deferred tax assets and liabilities (continued)

	Assets		**Liabilities**		**Net**	
	31 Dec 2013 RUB'000	31 Dec 2012 RUB'000	31 Dec 2013 RUB'000	31 Dec 2012 RUB'000	31 Dec 2013 RUB'000	31 Dec 2012 RUB'000
Property, plant and equipment	18 957	13 243	(83 098)	(75 674)	(64 140)	(67 672)
Intangible assets	-	-	(623)	(692)	(623)	(692)
Inventories	9	16	(5)	-	4	16
Receivables and prepayments	-	9 364	(1 061)	(3 414)	(1 061)	5 950
Payables and accruals	2 688	1 016	(25)	(76)	2 663	940
Tax losses carried forward	-	3 764	-	-	-	3 764
	21 655	**22 162**	**(84 811)**	**(79 856)**	**(63 157)**	**(57 694)**

The applicable income tax rate for the Russian Group companies is 20% (2013: 20%). This rate has been used in the calculation of deferred tax assets and liabilities.

Deferred tax assets and liabilities shown above are offset within each legal entity. Total amount of positive net balances resulted in RUB 6,439 thousand of deferred tax assets and total amount of negative net balances resulted in RUB 84,409 thousand of deferred tax liability, as shown in the consolidated statement of financial position as at 31 December 2014 (31 December 2013: deferred tax assets and liabilities were already offset).

Movements in deferred taxes during the period were as follows:

In thousands of RUB	Property, plant and equipment	Intangibles assets	Inven-tories	Receivables and prepayments	Payables and accruals	Tax losses carried forward	Total
Balance as at 1 January 2014	(64 140)	(623)	4	(1 061)	2 663	-	(63 157)
Recognized in income — origination and reversal of timing differences	(12 845)	15	9	(9 554)	(3 500)	12 030	(13 845)
Arising on acquisition	(4 745)	-	-	-	2 495	-	(2 250)
Release of deferred tax from disposal of revalued assets	1 282	-	-	-	-	-	1 283
Balance as at 31 December 2014	**(80 448)**	**(608)**	**13**	**(10 615)**	**1 658**	**12 030**	**(77 970)**

16. Deferred tax assets and liabilities (continued)

Movements in deferred taxes during the previous year were as follows:

In thousands of RUB	Property, plant and equipment	Intangibles assets	Inven-tories	Receivables and prepayments	Payables and accruals	Tax losses carried forward	Total
Balance as at 1 January 2013	(67 672)	(692)	16	5 950	940	3 764	(57 694)
Recognized in income — origination and reversal of timing differences	3 219	69	(12)	(7 793)	1 732	(346)	(3 131)
Release of deferred tax from disposal of subsidiaries	28	-	-	782	(9)	(3 418)	(2 617)
Release of deferred tax from disposal of revalued assets	285	-	-	-	-	-	285
Balance as at 31 December 2013	**(64 140)**	**(623)**	**4**	**(1 061)**	**2 663**	**-**	**(63 157)**

17. Trade and other payables

	31 December 2014 RUB'000	31 December 2013 RUB'000
Trade payables	373 038	305 619
Wages, salaries and other related accruals	21 474	17 073
Other payables	9 300	5 181
Total trade and other payables	**403 812**	**327 873**

18. Other liabilities

	31 December 2014 RUB'000	31 December 2013 RUB'000
Other taxes payable	18 827	15 413
Provision for unused vacation	14 794	11 515
Corporate income tax payable	9 278	2 738
VAT payable	9 194	18 637
Advances from customers	3 920	6 780
Total other liabilities	**56 013**	**55 083**

19. Sales revenue

	2014 RUB'000	2013 RUB'000
Heating	1 531 843	1 533 287
Water supply and waste water	156 487	130 855
Housing management	54 343	65 372
Operation and maintenance of the heating networks and boilers	40 201	-
Electricity	15 804	-
Other revenue	9 678	9 188
Total sales revenue	**1 808 356**	**1 738 702**

The heat energy is provided to individual residential customers at regulated social tariffs, significantly lower than the rates applicable to commercial customers. The difference in tariffs is compensated to the Group in the form of subsidies from the Kiselevsk Government, Kemerovo Oblast. For the year ended 31 December 2014, the subsidy amounted to RUB 131,524 thousand (2013: nil) and was recognized within profit or loss.

20. Cost of sales

	2014 RUB'000	2013 RUB'000
Raw materials	1 136 451	968 987
Wages, salaries and other personnel expenses	193 509	185 860
Rent, repair and maintenance	133 608	93 869
Electricity	100 057	106 791
Depreciation and amortisation	83 903	68 974
Social security costs	63 894	58 733
Fees and services	35 757	32 354
Utilities	11 196	7 539
Communication and other deliveries	3 751	2 784
Right and insurances	2 181	1 079
Other expenses	29	1 309
Total cost of sales	**1 764 336**	**1 528 279**

21. Selling and marketing expenses

	2014 RUB'000	2013 RUB'000
Commission	8 365	10 584
Advertising	-	13
Total selling and marketing expenses	**8 365**	**10 597**

22. Administrative expenses

	2014 RUB'000	2013 RUB'000
Wages, salaries and other personnel expenses	88 860	73 646
Social security costs	19 424	17 166
Rent, repair and maintenance	11 627	12 664
Stationery	4 786	3 832
Consulting and audit services	3 240	18 985
Depreciation and amortisation	2 038	1 657
Legal expenses	1 625	1 686
Transport expenses	1 040	1 462
Electricity	844	409
Other expenses	5 162	8 368
Total administrative expenses	**138 646**	**139 875**

23. Other operating expenses, net

	2014 RUB'000	2013 RUB'000
Taxes	9 071	10 902
VAT non deductible	1 146	8 328
Other operating expenses	2 789	1 169
Total other operating expenses, net	**13 006**	**20 398**

24. Net finance income / (costs)

	2014 RUB'000	2013 RUB'000
Net foreign exchange gain	80 040	-
Interest income	11 740	2 980
Income from sale of equity investments	125	183
Interest expense	(16 407)	(8 729)
Other finance costs	(2 862)	(3 559)
Total finance income / (costs), net	**72 636**	**(9 125)**

25. Other expenses, net

	2014 RUB'000	2013 RUB'000
Impairment of receivables	1 170	20 052
Gain on disposal of subsidiaries, net	-	(9 966)
Charity	-	1 500
Other expenses	5 022	6 666
Other income	(4 787)	(3 370)
Total other expenses, net	**1 405**	**14 882**

26. Income tax expense

	2014 RUB'000	2013 RUB'000
Current		
Current income tax expense	32 624	7 770
Deferred		
Effect of utilisation and origination of tax losses carried forward	(12 030)	346
Origination and reversal of temporary differences	25 875	2 785
Total income tax expense	**46 469**	**10 901**

Reconciliation of theoretical income tax expense with actual income tax expenses

	2014 RUB'000	2013 RUB'000
Profit before tax	86 758	15 546
Income tax using the tax rate (20 %)	17 352	3 109
Adjustment for tax exempt income and non-deductible expenses	29 117	7 792
Total income tax expense in the consolidated statement of comprehensive income	**46 469**	**10 901**

The applicable income tax rate for the Russian Group companies is 20%. This rate has been used in the calculation of deferred tax assets and liabilities.

27. Consolidated EBITDA reconciliation

	2014 RUB'000	2013 RUB'000
Consolidated profit for the period	40 289	4 645
Adjustments for:		
Income tax expense	46 469	10 901
Interest expense, net	4 667	5 749
Consolidated EBIT	**91 425**	**21 295**
Adjustment for depreciation and amortization	85 941	70 631
Consolidated EBITDA	**177 366**	**91 926**

Consolidated EBITDA for 2014 includes exchange gains of RUB 80,040 thousand (2013: nil).

As a requirement of investors, the Group calculate the "Consolidated reccuring EBITDA" the consolidated profit or loss before taking into account:
(a) any interest, commissions, discounts and other fees and costs related to Financial Debt;
(b) any interest, commissions, discounts, dividends, and other fees earned on Financial Debt;
(c) share of profits or losses of associates and equity method joint-ventures;
(d) any provision for or payment on account of taxation;
(e) any depreciation on fixed assets, amortisation of goodwill and other intangible assets;
(f) any amount attributable to discontinued operations; and
(g) any amount attributable to extraordinary, unusual or non-recurring items, including restructuring charges;
(h) net finance costs other than interest.

	2014 RUB'000	2013 RUB'000
Consolidated profit for the period	40 289	4 645
Adjustments for:		
Financial income expenses (excluding interest)	(77 302)	3 376
Income tax expense	46 469	10 901
Interest expense, net	4 667	5 749
Consolidated reccuring EBIT	**14 123**	**24 671**
Adjustment for depreciation and amortisation	85 941	70 631
Adjustment for non-recurring operations, including:		
sale of subsidiaries	-	(9 966)
accrual for lawyers IFC and EBRD	1 477	5 549
consulting services related to obtaining EBRD and IFC loans	-	6 316
Consolidated reccuring EBITDA	**101 541**	**97 201**

28. Capital risk management

The Group's objectives when managing capital are to ensure that the Group will be able to operate as a going concern in order to maximise return to shareholders and benefits to other stakeholders through the optimisation of debt and equity balance. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of loans and borrowings (refer to Note 15 "Loans and borrowings"), cash and cash equivalents and equity.

Capital structure is reviewed by the Group's management on regular basis.

There were no changes in the Group's approach to capital management during the period. The return on assets ratios for the reporting and comparative periods were as follows:

	2014 RUB'000	2013 RUB'000
Operating profit	15 527	39 553
Total averaged assets	1 522 061	1 133 729
Return on assets ratio for the year	**1.02%**	**3.50%**

The decrease in ROA ratio mostly resulted from increase of assets after loans receipt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital.

The gearing ratios were as follows:

	31 December 2014 RUB'000	31 December 2013 RUB'000
Loans and borrowings	393 627	71 962
Less: Cash and cash equivalents	(584 732)	(307 915)
Net debt	**(191 105)**	(235 953)
Total equity	**782 650**	783 882
Gearing ratio	**N/a**	**N/a**

28. Capital risk management (continued)

As a requirement of investors, the company also monitors the following ratios as at 31.12.2014

	RUB'000	Benchmark
Current assets	1 108 266	
- Prepaid expenses	(42 510)	
Current assets less prepaid expenses	1 065 756	
Current liabilities	545 261	
Current ratio	**1.95**	**1,2 and more**
Total Liabilities	937 861	
Equity	782 650	
Deferred tax assets	6 439	
Intangible assets	21 187	
Tangible Net Worth	755 024	
Tangible Net Worth ratio	**1.24**	**Not exceeding 2**
Profit for the period	40 289	
Non-cash items, including		
depreciation and amortisation	85 941	
Income taxes	46 469	
Payments due on account of interest and other charges on all Financial debt	16 407	
CAPEX	(109 056)	
Sub total 1	80 050	
Scheduled payments	7 019	
Historic Debt Service Coverage Ratio	**11.40**	**1,3 and more**
Loans and borrowings	390 161	
Less: Cash and cash equivalents	(584 732)	
Net debt	**(194 571)**	
Consolidated recurring EBITDA	101 540	
Net Debt to EBITDA ratio	**(1.92)**	**Not exceeding 4**

29. Financial risk management

Exposure to credit, liquidity and market risk (including currency, fair value interest rate risk and price risk) arises in the normal course of the Group's business. Risk management is carried out by a central treasury department.

The Group does not use derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates and interest rates. The most significant financial risks to which the Group is exposed are described below.

These risks are attributable to the following categories of financial instruments:

	31 December 2014 RUB'000	31 December 2013 RUB'000
Financial assets		
Trade and other receivables	415 127	363 921
Subsidies receivable	25 619	-
Cash and cash equivalents	584 732	307 915
Financial liabilities		
Trade and other payables	403 812	327 873
Loans and borrowings	393 627	71 962

29.1 Credit risk analysis

Credit risk is the risk that counterparty may default or not meet its obligations to the Group when contractually due leading to financial losses of the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not require collateral in respect of the majority of its financial assets.
The table below represents five largest balances of accounts receivable from the major counterparties as at the reporting date:

	31 December 2014 RUB'000
Individuals	230 061
Department of housing and public utilities of Kiselevsky region	25 619
LLC «Domashnuy uyut»	9 324
Management Company "Comfort-style"	8 762
LLC «Housing company -1»	6 839

	31 Dec 2013 RUB'000
Individuals	197 421
Management Company "Comfort-style"	26 076
LLC «Domashnuy uyut»	24 358
LLC «Housing company -1»	23 706
Housing Management company	5 952

29. Financial risk management (continued)

29.2 Interest rate risk

Interest rate risk is the risk that movements in market interest rates will adversely impact the financial results of the Group.

Interest rates on the Group's debt finance are either fixed or variable. Changes in market 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 and 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.

The Group bear variable interest rate risk as the borrowings are fixed rate instruments only for one (EBRD) or two year period (IFC).

Loan provider	Amount, RUB'000	Fixed rate, %	Maturity date
IFC	75 000	10.60	15.09.2016
IFC	175 000	10.42	15.09.2016
EBRD	75 000	15.60	06.08.2015

29.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities when they are contractually due.

The Group manages liquidity risk with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due by preparing annual budgets, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities. Contractual cash flows represent undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay and include both the principal and interest cash flows.

31 December 2014	Carrying amount	6 months or less	6 -12 months	1 – 2 years	2 – 5 years	More than 5 years	Contractual cash flows
Financial liabilities							
Loans received from EBRD	68 264	5 660	8 935	21 540	55 824	51 273	143 232
Loans received from IFC	250 843	5 382	13 383	26 621	171 660	177 888	394 934
Loan received from Gazprombank	74 520	5 528	79 227	-	-	-	84 755
Trade and other payables and other monetary liabilities	403 812	403 812	-	-	-	-	403 812
Total financial liabilities	**797 439**	**420 382**	**101 545**	**48 161**	**227 484**	**229 161**	**1 026 733**

29. Financial risk management (continued)

29.3 Liquidity risk

31 December 2013	Carrying amount RUB'000	Contractual cash flows: 6 months or less RUB'000	6 – 12 months RUB'000	Total contractual cash flows RUB'000
Financial liabilities				
Loans received	71 962	4 423	74 460	78 883
Trade and other payables and other monetary liabilities	327 873	327 873	-	327 873
Total financial liabilities	**399 835**	**332 296**	**74 460**	**406 756**

29.4 Fair value of financial instruments

Management of the Group considers that the carrying amounts of the financial instruments approximate their fair values.

The estimated fair values of financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date. The estimates of fair value are intended to approximate the amount to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of assets or settlement of liabilities.

30. Contingencies

30.1 Insurance

In 2013 the Group signed insurance contracts with OJSC Insurance company Allianz in order to obtain insurance cover for its property, plant and equipment, business interruption and third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to Group's operations. In 2014 the Group signed insurance contracts with OJSC Insurance company Allianz for the same risks for the period from 08.10.2014 till 07.10.2015.

30.2 Litigation

From time to time and in the normal course of business, claims against the Group are received. On the basis of own estimates and internal and external professional advice the Management is of the opinion that no material losses will be incurred. Besides, disputes with tax authorities are sometime solved through the appellations to courts.

30.3 Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterized by numerous official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretations by different authorities. Taxes are subject to audit and investigation by a number of authorities of different levels, which are empowered by law to impose severe fines, penalties and interest charges for late payments.

30. Contingencies (continued)

30.3 Taxation contingencies (continued)

These facts may create tax risks in the Russian Federation substantially more significant than in other countries. Management believes that it has adequately provided for the tax liabilities based on its interpretation of the tax legislation. However, the relevant tax authorities may have different interpretations and the effects could be significant.

30.4 Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

30.5 Uncertainties of operating environment

The Group's all operations are in the Russian Federation. During the year, there have been a number of political developments that affect the overall business and investment climate of the Russian Federation leading to risks that are not typically associated with developed markets; such as capital markets instability, deterioration of liquidity in the business sector and tighter credit conditions. The Russian Government has introduced a range of stabilization measures aimed at ensuring solvency and providing liquidity and financing for Russian companies.

The future stability of the Russian economy is largely dependent upon the reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

During the year certain sanctions were applied on Russian Federation by the USA and European Union. Management believes that currently those sanctions had no significant impact on Group's business.

Inflation

According to the State Committee on Statistics of the Russian Federation, the annual rate of inflation, as measured by changes in the Consumer Price Index, was 11.4% for 2014 (2013: 6.5%). The financial results of the Russian economy and consequently of the Group will be affected if inflation is not controlled effectively.

Recoverability of financial assets

As a result of recent economic turmoil in capital and credit markets in the Russian Federation, and the consequential economic uncertainties existing as at reporting date, there exists the potential that assets may not be recovered at their carrying amount in the regular course of business.

Management of the Group believes that in current economical situation there is no significant impact on the Group and it could arise only in situation where the USD/RUR exchange rates will further increase significantly.

31. Related-party transactions

The Group has related-party relationship with its shareholders, directors, senior officers and some other parties.

31.1 Transactions with shareholders

	2014 RUB'000	2013 RUB'000
Sales and purchases of goods and services (net of VAT)		
Legal costs reimbursement	1 829	7 993
Financial charges		
Interest charge	13 566	-
Commitment charge	2 443	1 422
Period-end balances		
Loan received (nominal value)	325 000	-
Trade and other payables	11 547	9 211
Treasury shares disposal	-	259
Treasury shares purchase	(42 803)	(594)

31.2 Transactions with key management personnel

Remuneration paid to key management personnel for 2014 was RUB 19,463 thousand (in 2013: RUB 17,747 thousand).

	31 December 2014 RUB'000	31 December 2013 RUB'000
Period-end balances		
Trade and other payables	1 031	868

31.3 Transactions with other related parties

In the normal course of its business activities the Group purchases services and raw materials or fixed assets, and makes sales to related parties other than disclosed above. Transactions with those related parties were as follows:

	31 December 2014 RUB'000	31 December 2013 RUB'000
Period-end balances		
Trade and other payables	3	6

	2014 RUB'000	2013 RUB'000
Transactions for sales and purchases of goods and services (net of VAT)		
Purchases of services (rent)	1 376	1 301

32. Commitments

32.1 Operating leases

The Group has the following operating lease commitments at the reporting date:

	31 December 2014 RUB'000	31 December 2013 RUB'000
Less than one year	14 716	14 547
Between one and five years	57 543	56 745
More than five years	35 601	50 940
Total operating leases	**107 860**	**122 232**

33. Fair value hierarchy

The tables below analyse assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within 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).

Fair value hierarchy as at 31 December 2014, RUB'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Property, plant and equipment	-	-	571 091	**571 091**
Promissory notes	-	-	13 528	**13 528**

Fair value hierarchy as at 31 December 2013, RUB'000	Level 1	Level 2	Level 3	Total
Property, plant and equipment	-	-	529 154	529 154
Promissory notes	-	-	13 366	13 366

There were no transfers between levels of fair value hierarchy during the reporting periods. Details of assumptions used in valuation have been disclosed in the relevant notes.

33. Subsidiaries

The following comprise the list of the Group subsidiaries as at 31 December 2014 and 31 December 2013:

Entity	Principal activities	Country of incorporation	Control, % 31 December 2014	Control, % 31 December 2013
KOTK LLC	Heating, Water supply and removal	Russia	100	100
Nash dom LLC	Housing management	Russia	100	100
NTK LLC	Heating	Russia	100	100
Resource Plavsk LLC	Delivery, Distribution and production of thermal energy, Water supply	Russia	100	100
RTS LLC	Delivery, Distribution and production of thermal energy	Russia	100	100
TEK Centra LLC	Delivery, Distribution and production of thermal energy	Russia	100	100
DKK LLC	Heating	Russia	100	100
RKC Plavsk LLC	Housing management	Russia	100	100
CCS Capital LLC	Investing	Russia	100	100
VTK LLC	Heating	Russia	100	100
INVEK OJSC	Consulting services	Russia	100	100
TEK Kiselevska LLC	Delivery, Distribution and production of thermal energy	Russia	100	100
Klintsovskaya TEC LLC	Electricity supply, heating	Russia	100	-

34. Events after the reporting period

Subsequent the reporting date there have been the following material events:

Investment agreements with IFC and EBRD contain provisions on motivation of key management personnel of the Group (Managers) thorough their participation in share capital of OJSC “CCS-Group”.
Shares are available for purchase during 3 periods till full reimbursement of IFC and EBRD loans. In order to be able to purchase shares Managers are required to continue employment with the Group.
General meeting of shareholders approved sales of OJSC “CCS-Group” shares to managers of the Company (meetings dated 24.03.2015).

There have been no other material events requiring disclosure subsequent to the reporting date.

Appendix A

OJSC “CCS-Group”
Statement of Financial Position

	31 December 2014 RUB’000	31 December 2013 RUB’000
ASSETS		
Non-current		
Property, plant and equipment	72 209	69 894
Intangible assets	6 402	5 457
Long-term investments	472 447	473 137
Deferred tax assets	159	7 480
Other assets	-	6 802
	551 217	**562 770**
Current		
Inventories	16 013	2 039
Trade and other receivables	33 867	14 423
Other assets	7 881	4 037
Short-term investments	121 980	1 136
Cash and cash equivalents	494 549	291 933
	674 290	**313 568**
Total Assets	**1 225 507**	**876 338**
Equity		
Share capital	27 598	27 598
Treasury shares	(43 397)	(594)
Share premium	424 234	424 234
Revaluation reserve	19 509	19 509
Retained earnings	454 435	388 136
	882 379	**858 883**
LIABILITIES		
Non-current		
Loans and borrowings	308 191	3 499
Deferred tax liabilities	10 107	10 384
	318 298	**13 883**
Current		
Loans and borrowings	10 916	368
Trade and other payables	2 287	513
Other liabilities	11 627	2 691
	24 830	**3 572**
Total Liabilities	**343 128**	**17 455**
Total Equity and Liabilities	**1 225 507**	**876 338**

OJSC “CCS-Group”
Income Statement

	2014 RUB’000	2013 RUB’000
Sales revenue	32 516	27 854
Cost of sales	(21 605)	(20 497)
Gross profit / (loss)	**10 911**	**7 357**
Administrative expenses	(20 169)	(25 186)
Other operating income / (expenses), net	2 006	(1 420)
Operating profit /(loss)	**(7 252)**	**(19 249)**
Net finance income/ (costs)	92 845	(1 788)
Other expense, net	(2 873)	(9 533)
Profit/ (loss) before income tax	**82 720**	**(30 570)**
Income tax benefit / (expense)	(16 421)	2 242
Profit / (loss) for the period	**66 299**	**(28 328)**

OJSC “CCS-Group”
Statement of Cash Flows

	2014 RUB’000	2013 RUB’000
Cash flows from operating activities		
Profit / (loss) for the period before taxation	82 720	(30 570)
Adjustments for:		
Depreciation and amortisation	11 379	11 717
Net foreign exchange gain	(79 720)	-
Impairment and write-off of doubtful trade and other receivables	(349)	4 181
Interest income	(6 183)	(363)
Interest expense	16 369	4 795
Gain / (loss) from disposal of property, plant and equipment	(3 259)	-
VAT non-deductable	93	13
Provision for unused vacation	232	197
	21 282	**(10 030)**
(Increase)/ decrease in inventories in course of operational activities	(13 431)	(1 857)
(Increase)/ decrease in trade and other receivables in course of operational activities	(1 314)	(11 985)
Increase / (decrease) in trade and other payables in course of operational activities	(10 439)	(3 038)
Interest paid	(10 517)	(1 221)
Interest received	6 183	363
Income taxes paid	(101)	-
Net cash (used in) / from operating activities	**(8 337)**	**(27 768)**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	2 500	(5 935)
Proceeds from disposal of property, plant and equipment	17 684	-
Acquisition of subsidiaries, net of cash acquired	(44 090)	-
Investment purchase	-	(87 750)
Proceeds from investment disposal	690	1 000
Loans granted	(120 844)	3 000
Net cash used in investing activities	**(144 060)**	**(89 685)**
Cash flows from financing activities		
Proceeds from loans and borrowings	325 000	59 480
Repayment of loans and borrowings	-	(88 180)
Payment of commission related to EBRD and IFC loans	(6 904)	-
Purchase of own shares	(42 803)	436 174
Net cash (used in) / from financing activities	**275 293**	**407 474**
Effect of exchange rate changes on cash and cash equivalents	**79 720**	**-**
Net increase in cash and cash equivalents	**202 616**	**290 021**
Cash and cash equivalents at beginning of year	291 933	1 912
Cash and cash equivalents at end of year	**494 549**	**291 933**

OJSC "CCS-Group"
Statement of Changes in Equity

	Share capital RUB'000	Treasury shares RUB'000	Share premium RUB'000	Revaluation reserves RUB'000	Retained earnings RUB'000	Total RUB'000
Balance at 1 January 2013	**15 065**	**-**	**-**	**19 509**	**416 465**	**451 039**
Loss for the period	-	-	-	-	(28 329)	(35 130)
Transactions with owners recorded directly in equity:	12 533	(594)	424 234	-	-	436 173
Increase of share capital	12 533	-	424 234	-	-	436 767
Shares purchased	-	(594)	-	-	-	(594)
Balance at 31 December 2013	**27 598**	**(594)**	**424 234**	**19 509**	**388 136**	**852 081**
Balance at 1 January 2014	**27 598**	**(594)**	**424 234**	**19 509**	**388 136**	**852 081**
Profit for the period	-	-	-	-	66 299	66 299
Transactions with owners recorded directly in equity:						
Shares purchased	-	(42 803)	-	-	-	(42 803)
Balance at 31 December 2014	**27 598**	**(43 497)**	**424 234**	**19 509**	**454 435**	**882 379**

LLC “NTK”
Statement of Financial Position

	31 December 2014 RUB’000	31 December 2013 RUB’000
ASSETS		
Non-current		
Property, plant and equipment	247 021	232 278
Intangible assets	7 166	4 874
Long-term investments	-	-
Deferred tax assets	5 884	25 127
	260 071	**262 279**
Current		
Inventories	7 155	4 647
Trade and other receivables	194 675	179 806
Other assets	15 878	34 070
Short-term investments	12 500	11 000
Cash and cash equivalents	67 281	430
	297 489	**229 953**
Total Assets	**557 560**	**492 232**
Net Assets		
Share capital	303 099	303 099
Retained earnings	(36 236)	(61 670)
	266 863	**241 429**
LIABILITIES		
Non-current		
Loans and borrowings	40 000	-
Deferred tax liabilities	5	5
	40 005	**5**
Current		
Loans and borrowings	74 893	71 594
Trade and other payables	161 605	163 081
Other liabilities	14 194	16 124
	250 692	**250 798**
Total Liabilities	**290 697**	**250 803**
Total Net Assets and Liabilities	**557 560**	**492 232**

LLC “NTK”
Income Statement

	2014 RUB’000	2013 RUB’000
Sales revenue	1 029 752	927 536
Cost of sales	(918 751)	(830 488)
Gross profit / (loss)	**111 001**	**97 048**
Selling and marketing expenses	(3 155)	(6 437)
Administrative expenses	(39 222)	(61 224)
Other operating expenses, net	(5 077)	(1 776)
Operating profit / (loss)	**63 547**	**27 611**
Net finance costs	(4 939)	(3 622)
Other income / (expense), net	1 874	27
Profit / (loss) before income tax	**60 482**	**24 016**
Income tax expense, net	(35 048)	(4 243)
Profit / (loss) for the period	**25 434**	**19 773**

LLC "NTK"
Statement of Cash Flows

	2014 RUB'000	2013 RUB'000
Cash flows from operating activities		
Profit / (loss) for the period before taxation	60 482	24 016
Adjustments for:		
Depreciation and amortisation	47 531	45 507
Impairment and write-off of doubtful trade and other receivables	1 568	420
Interest income	(1 519)	(5 366)
Interest expense	6 189	8 729
VAT non deductible	8	-
Provision for unused vacation	277	842
Loss from disposal of equity investment	-	(68)
	114 536	**74 080**
(Increase) in inventories in course of operational activities	(2 508)	107
(Increase) in trade and other receivables in course of operational activities	(14 251)	(42 729)
Increase / (decrease) in trade and other payables in course of operational activities	(1 588)	1 053
Interest paid	(5 489)	(8 236)
Income taxes paid	(1 903)	(22 704)
Net cash from operating activities	**88 797**	**1 571**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(64 565)	(25 949)
Proceeds from investment disposal	-	13 274
Loans granted	(1 500)	27 260
Interest received	1 519	5 366
Net cash used in investing activities	**(64 546)**	**19 951**
Cash flows from financing activities		
Proceeds from loans and borrowings	425 660	624 570
Repayment of loans and borrowings	(383 060)	(647 520)
Net cash (used in) / from financing activities	**42 600**	**(22 950)**
Net increase in cash and cash equivalents	**66 851**	**(1 428)**
Cash and cash equivalents at beginning of year	430	1 858
Cash and cash equivalents at end of year	**67 281**	**430**

LLC “NTK”
Statement of Changes in Net Assets

	Share capital RUB'000	Retained earnings RUB'000	Total Net Assets RUB'000
Balance at 1 January 2013	**303 099**	**(81 443)**	**221 656**
Profit for the period	-	19 773	19 773
Balance at 31 December 2013	**303 099**	**(61 670)**	**241 428**
Balance at 1 January 2014	**303 099**	**(61 670)**	**241 428**
Profit for the period	-	25 434	25 434
Balance at 31 December 2014	**303 099**	**(36 237)**	**266 862**

LLC “RTS”
Statement of Financial Position

	31 December 2014 RUB’000	31 December 2013 RUB’000
ASSETS		
Non-current		
Property, plant and equipment	2 005	2 407
Intangible assets	1 304	1 360
Long-term investments	1 294	1 294
Deferred tax assets	1 057	84
	5 660	**5 145**
Current		
Inventories	1 439	2 128
Trade and other receivables	70 005	65 211
Other assets	304	497
Cash and cash equivalents	3 353	4 500
	75 101	**72 336**
Total Assets	**80 761**	**77 481**
Net Assets		
Share capital	5 000	5 000
Capital reserve	589	589
Retained earnings	8 551	18 435
	14 140	**24 024**
LIABILITIES		
Non-current		
Deferred tax liabilities	9	11
	9	**11**
Current		
Trade and other payables	60 854	44 679
Other liabilities	5 758	8 767
	66 612	**53 446**
Total Liabilities	**66 621**	**53 457**
Total Net Assets and Liabilities	**80 761**	**77 481**

LLC “RTS”
Income Statement

	2014 RUB’000	2013 RUB’000
Sales revenue	263 536	259 494
Cost of sales	(245 932)	(228 644)
Gross profit / (loss)	**17 604**	**30 850**
Selling and marketing expenses	(1 869)	(1 810)
Administrative expenses	(21 450)	(19 879)
Other operating expenses, net	(117)	(154)
Operating profit / (loss)	**(6 832)**	**9 007**
Net finance costs	(1 323)	(1 228)
Other income, net	(3 704)	1 573
Profit / (loss) before income tax	**(10 859)**	**9 352**
Income tax benefit / (expense), net	975	(1 930)
Profit / (loss) for the period	**(9 884)**	**7 422**

LLC "RTS"
Statement of Cash Flows

	2014 RUB'000	2013 RUB'000
Cash flows from operating activities		
Profit / (loss) for the period before taxation	(10 859)	9 352
Adjustments for:		
Depreciation and amortisation	433	434
Impairment and write-off of doubtful trade and other receivables	278	(2 941)
Gain / (loss) from disposal of property, plant and equipment	(325)	-
VAT non-deductable	279	-
Provision for unused vacation	87	115
	(10 107)	**6 960**
(Increase) in inventories in course of operational activities	689	340
(Increase) in trade and other receivables in course of operational activities	(5 158)	(10 141)
Increase / (decrease) in trade and other payables in course of operational activities	15 032	6 693
Income taxes paid	(1 953)	(1 155)
Net cash from operating activities	**(1 497)**	**2 697**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	350	(1 680)
Net cash used in investing activities	**350**	**(1 680)**
Cash flows from financing activities		
Net cash (used in) / from financing activities	**-**	**-**
Net increase in cash and cash equivalents	**(1 147)**	**1 017**
Cash and cash equivalents at beginning of year	4 500	3 483
Cash and cash equivalents at end of year	**3 353**	**4 500**

LLC "RTS"
Statement of Changes in Net Assets

	Share capital RUB'000	Revaluation reserves RUB'000	Retained earnings RUB'000	Total RUB'000
Balance at 1 January 2013	**5 000**	**589**	**11 013**	**16 602**
Profit for the period	-	-	7 422	7 422
Balance at 31 December 2013	**5 000**	**589**	**18 435**	**24 024**
Balance at 1 January 2014	**5 000**	**589**	**18 435**	**24 024**
Loss for the period	-	-	(9 884)	(9 884)
Balance at 31 December 2014	**5 000**	**589**	**8 551**	**14 140**

LLC “Resource Plavsk”
Statement of Financial Position

	31 December 2014 RUB’000	31 December 2013 RUB’000
ASSETS		
Non-current		
Property, plant and equipment	28 805	**687**
Intangible assets	39	**65**
Deferred tax asset	4 459	**2 910**
Long-term investments	399	**399**
	33 702	**4 061**
Current		
Inventories	757	**773**
Trade and other receivables	31 093	**16 198**
Other assets	2 993	**973**
Cash and cash equivalents	656	**1 698**
	35 499	**19 642**
Total Assets	**69 201**	**23 703**
Net Assets		
Share capital	1 000	1 000
Revaluation reserves	124	124
Retained earnings	(30 160)	(32 016)
	(29 036)	**(30 892)**
LIABILITIES		
Non-current		
Loans and borrowings	32 380	-
Deferred tax liabilities	116	-
	32 496	**-**
Current		
Loans and borrowings	18 560	13 366
Trade and other payables	45 114	36 355
Other liabilities	2 067	4 874
	65 741	**54 595**
Total Net Assets and Liabilities	**69 201**	**23 703**

LLC “Resource Plavsk”
Income Statement

	2014 RUB’000	2013 RUB’000
Sales revenue	131 006	144 840
Cost of sales	(119 511)	(145 896)
Gross profit / (loss)	**11 495**	**(1 056)**
Selling and marketing expenses	(562)	-
Administrative expenses	(14 541)	(11 401)
Other operating expenses, net	(190)	(698)
Operating profit / (loss)	**(3 798)**	**(13 155)**
Net finance costs	(2 017)	(2 081)
Other expense, net	6 240	(12 997)
Profit / (loss) before income tax	**425**	**(28 233)**
Income tax (expense) / benefit, net	1 432	2 910
Profit / (loss) for the period	**1 857**	**(25 323)**

LLC "Resource Plavsk"
Statement of Cash Flows

	2014 RUB'000	2013 RUB'000
Cash flows from operating activities		
Profit / (loss) for the period before taxation	425	(28 233)
Adjustments for:		
Depreciation and amortisation	242	305
Impairment and write-off of doubtful trade and other receivables	(8 984)	11 957
Interest expense	1 853	1 781
Gain / (loss) from disposal of property, plant and equipment	(18)	-
VAT not deductible	5	-
Provision for unused vacation	174	658
	(4 906)	**(13 532)**
Decrease in inventories in course of operational activities	16	489
(Increase) in trade and other receivables in course of operational activities	(5 924)	(2 653)
Increase / (decrease) in trade and other payables in course of operational activities	5 777	10 413
Interest paid	-	(500)
Income taxes paid	-	-
Net cash (used in) / from operating activities	**(5 037)**	**(5 783)**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(28 385)	(77)
Net cash used in investing activities	**(28 385)**	**(77)**
Cash flows from financing activities		
Proceeds from loans and borrowings	33 230	13 220
Repayment of loans and borrowings	(850)	(14 780)
Net cash (used in) / from financing activities	**32 380**	**(1 560)**
Net increase in cash and cash equivalents	**(1 042)**	**(7 420)**
Cash and cash equivalents at beginning of year	1 698	9 118
Cash and cash equivalents at end of year	**656**	**1 698**

LLC "Resource Plavsk"
Statement of Changes in Net Assets

	Share capital RUB'000	Revaluation reserves RUB'000	Retained earnings RUB'000	Total RUB'000
Balance at 1 January 2013	**1 000**	**124**	**(6 693)**	**(5 569)**
Loss for the period	-	-	(25 323)	(25 323)
Balance at 31 December 2013	**1 000**	**124**	**(32 016)**	**(30 892)**
Balance at 1 January 2014	**1 000**	**124**	**(32 016)**	**(30 892)**
Profit for the period	-	-	1 857	1 857
Balance at 31 December 2014	**1 000**	**124**	**(30 159)**	**(29 035)**

LLC “KOTK”
Statement of Financial Position

	31 December 2014 RUB’000	31 December 2013 RUB’000
ASSETS		
Non-current		
Property, plant and equipment	308	334
Intangible assets	111	8
Investments	13 528	13 366
Deferred tax asset	2 259	-
	16 206	**13 708**
Current		
Inventories	13 408	16 547
Trade and other receivables	46 463	102 885
Subsidies receivable	25 619	-
Other assets	7 991	1 690
Cash and cash equivalents	324	4 348
	91 554	**125 470**
Total Assets	**107 760**	**139 178**
Net Assets		
Share capital	6 000	6 000
Revaluation reserve	-	-
Retained earnings	20 495	16 483
	26 495	**22 483**
LIABILITIES		
Current		
Trade and other payables	65 745	97 641
Other liabilities	15 520	19 054
	81 265	**116 695**
Total Net Assets and Liabilities	**107 760**	**139 178**

LLC “KOTK”
Income Statement

	2014 RUB’000	2013 RUB’000
Sales revenue	170 621	295 448
Government subsidies	131 523	-
Cost of sales	(261 718)	(244 911)
Gross profit	**40 426**	**50 537**
Selling and marketing expenses	-	(13)
Administrative expenses	(32 667)	(27 080)
Other operating expenses, net	(662)	(9 331)
Operating profit	**7 096**	**14 113**
Net finance costs	73	(265)
Other income / (expense), net	(1 429)	1 878
Profit before income tax	**5 741**	**15 726**
Income tax expense, net	(1 729)	(3 353)
Profit for the period	**4 012**	**12 373**

LLC “KOTK”
Statement of Cash Flows

	2014 RUB’000	2013 RUB’000
Cash flows from operating activities		
Profit / (loss) for the period before taxation	5 741	(15 726)
<u>Adjustments for:</u>		
Depreciation and amortisation	220	14 515
Impairment and write-off of doubtful trade and other receivables	2 444	(1 790)
Loss from disposal of property, plant and equipment	-	7 598
VAT non deductible	35	-
Provision for unused vacation	1 040	4 038
	9 480	**40 087**
Decrease/ (increase) in inventories in course of operational activities	6 400	(3 066)
Decrease/ (increase) in trade and other receivables in course of operational activities	20 850	(76 184)
Increase / (decrease) in trade and other payables in course of operational activities	(30 121)	50 653
Income taxes paid	(10 337)	(5 940)
Net cash from operating activities	**(3 728)**	**5 550**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(296)	(2 031)
Net cash used in investing activities	**(296)**	**(2 031)**
	-	
Cash flows from financing activities		
Net cash (used in) / from financing activities	**-**	**-**
Net increase in cash and cash equivalents	**(4 024)**	**3 519**
Cash and cash equivalents at beginning of year	4 348	829
Cash and cash equivalents at end of year	**324**	**4 348**

LLC "KOTK"
Statement of Changes in Net Assets

	Share capital RUB'000	Revaluation reserves RUB'000	Retained earnings RUB'000	Total Net Assets RUB'000
Balance at 1 January 2013	**80 100**	**91 162**	**(8 003)**	**163 259**
Profit for the period	-		12 373	(78 789)
Other comprehensive income				
Reorganization (spin-off of TEKK)	(74 100)	(91 162)	12 113	(153 149)
Balance at 31 December 2013	**6 000**	**-**	**16 483**	**22 483**
Balance at 1 January 2014	**6 000**	**-**	**16 483**	**22 483**
Profit for the period	-	-	4 012	4 012
Balance at 31 December 2014	**6 000**	**-**	**20 494**	**26 494**

LLC "TEK Centra"
Statement of Financial Position

	31 December 2014 RUB'000	31 December 2013 RUB'000
ASSETS		
Non-current		
Property, plant and equipment	30 352	32 681
Intangible assets	1	-
Investments	13 262	13 262
Deferred tax assets	5 909	5 910
	49 524	**51 853**
Current		
Inventories	63	68
Trade and other receivables	4 799	14 165
Other assets	575	45
Cash and cash equivalents	6 707	676
	12 144	**14 954**
Total Assets	**61 668**	**66 807**
Net Assets		
Share capital	56 651	56 651
Revaluation reserves	769	412
Retained earnings	2 657	4 633
	60 077	**61 696**
LIABILITIES		
Non-current		
Deferred tax liabilities	786	888
	786	**888**
Current		
Trade and other payables	11	2 820
Other liabilities	794	1 403
	805	**4 233**
Total Liabilities	**1 591**	**5 111**
Total Equity and Liabilities	**61 668**	**66 807**

LLC "TEK Centra"
Income Statement

	2014 RUB'000	2013 RUB'000
Sales revenue	17 888	18 115
Cost of sales	(2 925)	(2 874)
Gross profit	**14 963**	**15 241**
Administrative expenses	(4 462)	(3 128)
Other operating expenses, net	(1 185)	(1 234)
Operating profit	**9 136**	**10 879**
Net finance costs	(19)	(14)
Other income / (expense), net	(2)	58
Profit before income tax	**9 115**	**10 923**
Income tax expense, net	(1 734)	(1 989)
Profit for the period	**7 381**	**8 934**

LLC "TEK Tsentra"
Statement of Cash Flows

	2014 RUB'000	2013 RUB'000
Cash flows from operating activities		
Profit / (loss) for the period before taxation	9 115	10 923
Adjustments for:		
Depreciation and amortisation	2 653	2 638
Provision for unused vacation	3	-
Impairment and write-off of doubtful trade and other receivables	-	(62)
Gain/ loss on disposal of property, plant and equipment	-	(7)
	11 768	**13 616**
(Increase) in inventories in course of operational activities	5	709
(Increase) in trade and other receivables in course of operational activities	8 995	(11 169)
Increase / (decrease) in trade and other payables in course of operational activities	(2 973)	(2 163)
Income taxes paid	(2 438)	(1 299)
Net cash from operating activities	**15 357**	**(306)**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(326)	7
Net cash used in investing activities	**(326)**	**7**
Cash flows from financing activities		
Dividends paid	(9 000)	-
Net cash (used in) / from financing activities	(9 000)	-
Net increase in cash and cash equivalents	**6 031**	**(299)**
Cash and cash equivalents at beginning of year	676	975
Cash and cash equivalents at end of year	**6 707**	**676**

LLC “TEK Tsentra”
Statement of Changes in Net Assets

	Share capital RUB'000	Revaluation reserves RUB'000	Retained earnings RUB'000	Total Net Assets RUB'000
Balance at 1 January 2013	**56 651**	**62**	**(3 951)**	**52 762**
				-
Profit for the period			8 934	8 934
Other comprehensive income	-	350	(350)	-
Distribution of RE to revaluation reserve	-	350	(350)	-
Balance at 31 December 2013	**56 651**	**412**	**4 633**	**61 696**
Balance at 1 January 2014	**56 651**	**412**	**4 633**	**61 696**
Profit for the period	-	-	7 381	7 381
Dividend	-	-	(9 000)	(9 000)
Balance at 31 December 2014	**56 651**	**412**	**3 014**	**60 077**

LLC “TEK Kiselevska”
Statement of Financial Position

	31 December 2014 RUB’000	31 December 2013 RUB’000
ASSETS		
Non-current		
Property, plant and equipment	173 959	180 837
Intangible assets	8	7
	173 967	**180 844**
Current		
Trade and other receivables	8 005	2 610
Other assets	35	194
Cash and cash equivalents	524	46
	8 564	**2 850**
Total Assets	**182 531**	**183 694**
Net Assets		
Share capital	74 100	74 100
Revaluation reserves	90 374	90 374
Retained earnings	(5 982)	(4 362)
	158 492	**160 112**
LIABILITIES		
Non-current		
Deferred tax liabilities	22 593	22 593
	22 593	**22 593**
Current		
Trade and other payables	1 230	75
Other liabilities	216	914
	1 446	**989**
Total Liabilities	**24 039**	**23 582**
Total Equity and Liabilities	**182 531**	**183 694**

LLC "TEK Kiselevska"
Income statement

	2014 RUB'000	4 Q 2013 RUB'000
Sales revenue	12 735	2 382
Cost of sales	(11 542)	(1 135)
Gross profit / (loss)	**1 194**	**1 247**
Administrative expenses	(582)	(142)
Other operating expenses, net	(531)	(118)
Operating profit / (loss)	**80**	**986**
Net finance costs	(13)	(4)
Other income / (expense), net	(17)	(15)
Profit / (loss) before income tax	**51**	**967**
Income tax expense, net	(1 671)	(341)
Profit /(loss) for the period	**(1 620)**	**(626)**

LLC "TEK Kiselevska"
Statement of Cash Flows

	2014 RUB'000	4 Q 2013 RUB'000
Cash flows from operating activities		
Profit / (loss) for the period before taxation	51	967
Adjustments for:		
Depreciation and amortisation	11 510	1 135
	11 561	**2 102**
(Increase) in trade and other receivables in course of operational activities	(5 232)	(2 654)
Increase / (decrease) in trade and other payables in course of operational activities	798	648
Income taxes paid	(2 017)	-
Net cash from operating activities	**5 110**	**96**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(4 632)	(50)
Net cash used in investing activities	**(4 632)**	**(50)**
Cash flows from financing activities		
Net cash (used in) / from financing activities	**-**	**-**
Net increase in cash and cash equivalents	**478**	**46**
Cash and cash equivalents at beginning of year	46	0
Cash and cash equivalents at end of year	**524**	**46**

LLC "TEK Kiselevska"
Statement of Changes in Net Assets

	Share capital RUB'000	Revaluation reserves RUB'000	Retained earnings RUB'000	Total Net Assets RUB'000
Balance at 23 October 2013	**74 100**	**90 374**	**(3 736)**	**160 738**
Loss for the period			(626)	- (626)
Balance at 31 December 2013	**74 100**	**90 374**	**(4 362)**	**160 112**
Balance at 1 January 2014	**74 100**	**90 374**	**(4 362)**	**160 112**
Loss for the period	-	-	(1 620)	(1 620)
Balance at 31 December 2014	**74 100**	**90 374**	**(5 982)**	**158 492**