JSC RUSNANO

International Financial Reporting Standards Consolidated Financial Statements and Auditors' Report

31 December 2015

Contents

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Auditors' Report

To the Shareholder and Board of Directors
JSC RUSNANO

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Entity: JSC RUSNANO

Registered in the Unified State Register of Legal Entities on 11 March 2011 by Inspectorate of the Federal Tax Service of the city of Moscow №28, Registration No. 1117799004333, Certificate series 77 No. 017720315.

10A, prospekt 60-letiya Oktyabrya, Moscow, Russia, 117036

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

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

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

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

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

Opinion

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

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 were audited by other auditors whose report dated 19 March 2015 expressed an unmodified opinion on those statements.

Altukhov K.V.

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

JSC "KPMG"

21 March 2016

Moscow, Russian Federation

In million of Russian Roubles	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Equity instruments at fair value through profit or loss	8	112,839	95,038
Investment in associate	7	1,658	1,596
Loans receivable at fair value through profit or loss	8	18,577	12,780
Deferred tax asset	18	6,621	115
Other receivables and prepayments	9	152	231
Property, plant and equipment	6	3,062	3,396
Other non-current assets		73	86
Total non-current assets		**142,982**	**113,242**
Current assets			
Equity instruments at fair value through profit or loss	8	2,339	2,234
Financial assets held for trading	8	10,168	6,933
Loans receivable at fair value through profit or loss	8	4,493	2,465
Other receivables and prepayments	9	5,746	2,856
Income tax prepayments		8	111
Bank deposits	10	45,409	57,128
Cash and cash equivalents	11	16,355	6,848
Other current assets		163	181
Total current assets		**84,681**	**78,756**
TOTAL ASSETS		**227,663**	**191,998**
EQUITY			
Share capital	12, 22	53,742	53,742
Currency translation reserve	12	30,474	18,330
Accumulated loss		(7,315)	(12,209)
TOTAL EQUITY		**76,901**	**59,863**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	18	112	222
Long-term borrowings	13	133,336	111,433
Total non-current liabilities		**133,448**	**111,655**
Current liabilities			
Net assets attributable to non-controlling participants of subsidiaries		98	258
Current portion of long-term borrowings	13	16,023	18,592
Other payables and accrued expenses	14	1,193	1,630
Total current liabilities		**17,314**	**20,480**
TOTAL LIABILITIES		**150,762**	**132,135**
TOTAL EQUITY AND LIABILITIES		**227,663**	**191,998**

Approved for issue and signed on 21 March 2016.

Chubais Anatoly Borisovich
Chairman of the Executive Board
of Management Company "RUSNANO" LLC

Galstyan Arthur Genrikovich
Finance Director
of Management Company "RUSNANO" LLC

In million of Russian Roubles	**Note**	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Income			
Interest income	15	6,369	6,300
Other operating income		834	487
Total income		**7,203**	**6,787**
Operating expenses	16	**(5,616)**	**(5,572)**
Net gain on financial assets at fair value through profit or loss	17	10,346	480
Foreign currency exchange gains		701	1,859
Interest expenses		(14,131)	(11,699)
Loss before income tax		**(1,497)**	**(8,145)**
Income tax	18	6,391	(269)
PROFIT/(LOSS) FOR THE YEAR		**4,894**	**(8,414)**
Other comprehensive income (items that may be reclassified subsequently to profit or loss)			
Foreign currency translation differences	12	12,144	16,574
Other comprehensive income for the year		**12,144**	**16,574**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**17,038**	**8,160**

In million of Russian Roubles	Note	Share capital	Accumulated loss	Currency translation reserve	Total equity
As at 1 January 2014		**53,742**	**(3,795)**	**1,756**	**51,703**
Comprehensive income					
Loss for the year		-	(8,414)	-	(8,414)
Other comprehensive income	12	-	-	16,574	16,574
Total comprehensive income for the year		**-**	**(8,414)**	**16,574**	**8,160**
As at 31 December 2014		**53,742**	**(12,209)**	**18,330**	**59,863**
Comprehensive income					
Profit for the year		-	4,894	-	4,894
Other comprehensive income	12	-	-	12,144	12,144
Total comprehensive income for the year		**-**	**4,894**	**12,144**	**17,038**
As at 31 December 2015		**53,742**	**(7,315)**	**30,474**	**76,901**

In million of Russian Roubles	**Note**	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Cash flows from operating activities			
Proceeds from sale of equity instruments at fair value through profit or loss		3,742	2,633
Acquisition of equity instruments at fair value through profit or loss		(11,453)	(15,512)
Repayment of loans issued		3,221	2,672
Loans issued		(4,328)	(8,298)
Proceeds from sale of financial assets held for trading		1,732	1,107
Acquisition of financial assets held for trading		(1,593)	(2,944)
Interest income received		7,348	5,233
Operating payments		(4,923)	(4,367)
Interest paid		(13,258)	(11,339)
Income taxes paid		(239)	(275)
Other receipts		388	718
Other payments		(3,032)	-
Net cash used in operating activities		**(22,395)**	**(30,372)**
Cash flows from investing activities			
Receipts of cash from deposit accounts		147,008	173,894
Placement of cash on deposit accounts		(134,512)	(153,994)
Acquisition of property, plant and equipment		(73)	(92)
Acquisition of other non-current assets		(27)	(30)
Net cash from investing activities		**12,396**	**19,778**
Cash flows from financing activities			
Proceeds from loans and borrowings		36,002	15,208
Repayment of loans and borrowings		(17,634)	(5,877)
Net cash from financing activities		**18,368**	**9,331**
Net increase/(decrease) in cash and cash equivalents		**8,369**	**(1,263)**
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		**1,138**	**1,133**
Cash and cash equivalents at the beginning of the year	11	**6,848**	**6,978**
Cash and cash equivalents at the end of the year	11	**16,355**	**6,848**

1 RUSNANO Group and Its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2015 for the Joint-Stock Company RUSNANO (JSC RUSNANO, the "Company") and its consolidated subsidiaries disclosed in Note 20 (together referred to as the "Group" or the "RUSNANO Group").

Initially the Russian Corporation of Nanotechnologies (the "Corporation") was established on 19 September 2007 by the Government of the Russian Federation in accordance with the Federal Law No. 139-FZ "On the Russian Corporation of Nanotechnologies" dated 19 July 2007.

In accordance with Federal Law No. 211-FZ "On Reorganization of the Russian Corporation of Nanotechnologies" adopted on 27 July 2010, the Corporation was reorganized into OJSC RUSNANO and ceased its operations upon the state registration of the Company on 11 March 2011. As the result OJSC RUSNANO assumed all rights and responsibilities of the Corporation under the principle of universal succession.

In 2014 the Group transferred its key operating activities and staff from the Company to its subsidiary Management Company RUSNANO LLC founded in 2013.

In February 2016 before these Consolidated Financial Statements were authorized for issue the Company changed its legal entity status from Open Joint-Stock Company to Joint-Stock Company.

Principal activity. The Group was formed to implement the policy of the Russian Federation with respect to nanotechnology, to develop an innovative infrastructure for nanotechnology and initiate projects on the creation of advanced nanotechnologies and nano-industry in Russia. The main activity of the Group is to invest funds in line with the above-mentioned State policy.

The Company is an investment entity (Note 4).

The RUSNANO Group's investment activity is focused on funding nano-technology projects at the initial stage, when the opportunities to raise funds from other sources are limited due to high risks and market and technological uncertainty. The Group plans to withdraw from projects when certain production criteria are met and other investors are ready to finance the project independently. The return on the Group's investments in such projects is determined by the terms and conditions stipulated in the investment agreements.

The subsidiaries of the Group were formed or acquired in line with the main Group's activities stated above.

***Registered address and place of business*.** The Company's registered address is: Prospekt 60-letiya Oktyabrya, 10A, 117036, Moscow, Russian Federation.

Segment information. Under the IFRS 8 "Operating Segments" operating segments are components of an enterprise on which separate financial information is available and is evaluated regularly by the chief operating decision-maker (further – "CODM") in deciding how to allocate resources and in assessing performance. The Executive Board of Management Company RUSNANO LLC has been determined as the CODM. For management purposes, the Group is organised into one main operating segment in accordance with IFRS 8, which invests in equity and debt instruments and related derivatives. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group operates in one industry segment being the investor with respect to developing an innovative nanotechnological infrastructure and initiating projects on the creation of advanced nanotechnologies. The financial position and results of this segment as at 31 December 2015 and 2014 are presented in the consolidated statement of financial position and the consolidated statement of comprehensive income, respectively.

The Group performs most of its activities in the Russian Federation and does not have any significant non-current assets other than financial assets located in foreign countries or any significant income from foreign countries except for gains/losses on financial assets at fair value through profit or loss from foreign projects.

2 Operating Environment of the Group

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent on these reforms and development and the effectiveness of economic, financial and monetary measures undertaken by the government.

Since 2014, the Russian economy has been negatively impacted by a significant drop in crude oil prices and a significant devaluation of the Russian Rouble, as well as sanctions imposed on Russia by several countries. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Revised investment budgets and the more challenging situation in the markets targeted by the Group's investments have led management to revise future cash flow projections in respect of the Group's investment projects, when the changed conditions were known and present at the end of the reporting period. Refer to Notes 8 and 23 for details of the assessment of the fair value of the Group's investments.

While management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

The Group's major assets are the financial instruments, i.e. equity or debt instruments, the most of which are not quoted in the active market. The fair values of these financial instruments as at 31 December 2015 and 2014 have been determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As the most of the Group's investee shares are not traded in the active market, the fair value calculations are based on transaction prices, valuation models and discounted cash flows prepared by the Group. Determining fair value requires consideration of current market conditions, future business plans of investees, potential liquidity of the market and current credit spreads. The valuation techniques used by management to determine fair values in the absence of an active market include adjusted present value and utilizes interest rates applicable to similar investments on the Russian market or international markets where applicable.

3 Summary of Significant Accounting Policies

Basis of preparation

The consolidated financial statements of the RUSNANO Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis, except for financial instruments held at fair value through profit or loss, that have been measured at fair value.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue to realize its assets and discharge its obligations and commitments in the normal course of operations. The Group has accumulated losses of RUB 7,315 million as at 31 December 2015 (31 December 2014: RUB 12,209 million). Taking into account the positive total equity of the Group as at 31 December 2015 of RUB 76,901 million (31 December 2014: RUB 59,863 million) the Group management believes that developed Group strategy will enable to improve profitability and support sustainability of the Group in future.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and its consolidated subsidiaries for the year ended 31 December 2015.

3 Summary of Significant Accounting Policies (continued)

Consolidated financial statements (continued)

(a) Subsidiaries

Subsidiaries are companies and other entities which are controlled by the Company, i.e. in respect of which the Company is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power over the company or the other entity.

In accordance with the exemption for investment entities provided by IFRS 10, Subsidiaries are not consolidated by the Company and measured at fair value through profit or loss from the date on which control is obtained.

Exception comprises subsidiaries that provide services that relate to the investment activity of the Company. Such subsidiaries are consolidated from the date on which control is obtained (acquisition date) and are deconsolidated from the date on which that control ceases.

The acquisition method is used to account for the acquisition of consolidated subsidiaries. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Intercompany transactions, balances and unrealised gains on transactions between the Group consolidated companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its consolidated subsidiaries use uniform accounting policies consistent with the RUSNANO Group's policies.

(b) Associates and joint ventures

Associates are entities over which the Group has significant influence, i.e. has the power to participate in the financial and operating policy decisions of the entity but not controls or joint controls those entities. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in associates and jointly controlled entities (portfolio companies) are held and managed on an investment portfolio basis are classified as financial instruments at fair value through profit or loss.

The post-acquisition changes in the Group's share of net assets of such associates are recognised as follows: the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year, the Group's share of other comprehensive income is recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

New Accounting Pronouncements

(a) Standards and Amendments effective in 2015

In 2015 the Group adopted all standards and interpretations that became effective as at 1 January 2015.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendments). IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction is the service cost in the period in which the service is rendered, instead of allocating the contributions to the period of service. The amendment does not have material effect on the Group's financial position or performance.

A number of **Improvements to International Financial Reporting Standards** issued by IASB within 2010-2012 and 2011-2013 Annual Improvements Cycles. The amendments do not have material effect on the Group's financial position or performance.

3 Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

(b) Standards and Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 and which the Group has not early adopted. The Group intends to adopt applicable standards when they become effective. None of them is expected to affect the consolidated financial statements of the Group, except the following set out below.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments define that subsidiaries of the investment entity that are investment entities themselves are not consolidated and IFRS 3 is not applied upon acquisition of control over them. They are accounted at fair value through profit or loss instead in accordance with standards applicable for financial instruments. Also the amendments clarify the equity accounting for interest in investment entities held by companies that are not investment entities themselves and clarify the application of consolidated financial statements preparation exemption for intermediate parents controlled by investment entities. The amendments are effective for annual periods beginning on or after 1 January 2016 with early application permitted. The Group is currently assessing impact of these amendments on its consolidated financial statements.

IFRS 9 Financial Instruments. In 2014 the IASB issued the final version of IFRS 9 , which reflects all phases of financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing impact of IFRS 9 on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 was issued in 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing impact of IFRS 15 on its consolidated financial statements.

The following amendments may affect the Group consolidated financial statements but the effects are not expected to be significant.

Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11). The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Disclosure Initiative (Amendments to IAS 1). The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Various **Improvements to International Financial Reporting Standards** issued by IASB within 2012-2014 Annual Improvements Cycle. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

3 Summary of Significant Accounting Policies (continued)

Foreign currency translation

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries established in the Russian Federation, and the Group's presentation currency, is the national currency of the Russian Federation, i. e., Russian Roubles ("RUB").

Monetary assets and liabilities are translated into each entity's functional currency at official exchange rates; for Russian companies at the rates published by the Central Bank of the Russian Federation and for foreign companies at rates quoted in their local markets at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in the profit or loss for the year in net amount. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The items of statement of financial position and statement of comprehensive income of each Group entity are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

- components of equity are translated at the historic rate; and

- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

At 31 December 2015, the principal rate of exchange used for translating foreign currency balances was USD 1 = RUB 72.8827 (31 December 2014: USD 1 = RUB 56.2584); EUR 1 = RUB 79.6972 (31 December 2014: EUR 1 = RUB 68.3427); CHF 1 = RUB 73.5298 (31 December 2014: CHF 1 = RUB 56.9763).

Financial assets at fair value through profit or loss

(a) Classification

The Group classifies its debt and equity investments, including embedded derivatives, as financial assets at fair value through profit or loss at inception. These financial assets are managed and their performance is evaluated on a fair value basis.

Equity instruments of the Group comprise shares in portfolio companies and equity instruments in investment funds.

Investment managers of the Group are required to evaluate the performance of the financial assets using their fair value at the end of the reporting period together with other related financial information pertaining to the particular investment.

Assets included in this category are classified as current assets if they are reasonably expected to be realised within 12 months from the end of the reporting period. Other assets included in this category are classified as non-current.

3 Summary of Significant Accounting Policies (continued)

Financial assets at fair value through profit or loss (continued)

(a) Classification (continued)

Financial assets at fair value through profit or loss also include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing them in the near term. This category includes equity securities and debt instruments. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets included in this category are classified as current assets.

Cash inflows and outflows from the operations with financial assets at fair value through profit or loss are presented in the consolidated statement of cash flows as cash flows from operating activities on a gross basis.

(b) Recognition, de-recognition and measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Fair value at initial recognition is best evidenced by the transaction price. Gain or loss on initial recognition is recorded only if there is a difference between the fair value and the transaction price, which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. If the valuation technique that uses unobservable inputs is expected to be used for fair value determination in subsequent periods, the valuation technique is calibrated to ensure that it reflects current market conditions evidenced by transaction price and other relevant factors. If the Group provides financing to a portfolio company by the package of investments which includes several financial instruments, the transaction price of the full investment package is determined.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred largely all risks and rewards of ownership.

Following initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the consolidated statement of comprehensive income with regard to the changes in fair value of financial assets at fair value through profit or loss in the period in which they arise.

Interest income on debt investments at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of the fair value gains or losses on financial assets at fair value through profit or loss.

(c) Fair value estimation

Fair value is 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.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques, which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As the most of the Group's portfolio companies' shares are not traded in the active market, the fair value calculations for equity investments are based on valuation models and discounted cash flows prepared by the Group.

The Group also considers the original transaction price and adjusts the model as deemed necessary for such factors as non-sustainable earnings, investment and growth stages. The valuations produced by the primary techniques incorporate the effects of any embedded derivatives (such as call and put options) relating to the equity instrument.

3 Summary of Significant Accounting Policies (continued)

Financial assets at fair value through profit or loss (continued)

(c) Fair value estimation (continued)

The Group's valuation technique for debt instruments is the present value of estimated future cash flows based on a discounted cash flow model. The discount rate used by the Group is based on the risk-free rate of the economic environment in which portfolio companies operate, adjusted with other factors, such as the investment stage period and appropriate risk factors.

Cash flows used in the discounted cash flows model are based on the projected cash flows or earnings of the portfolio companies. In determining fair valuation, the Group in many instances relies on the financial information of the portfolio companies and on estimates by the management of the portfolio companies as to the effect of future development. Although best judgement is used in estimating the fair value of investments, there are inherent limitations in any estimation techniques. The fair value estimates presented herein are not necessarily indicative of the amount the Group could realise in a current transaction. Future events will also affect the estimates of fair value. The effect of such events on the estimates of fair value could be material in relation to the consolidated financial statements.

Derivative financial instruments are often embedded in investment agreements entered into by the Group. If derivatives are embedded, they are not valued separately, but rather are built into the valuation models determining the range of fair value movements for a particular investment.

The Group's valuation technique for instruments presented by shares in investment funds usually is the share of net assets of each particular fund attributable to the Group at the end of reporting period.

(d) Transaction costs

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if a transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs relating to instruments at fair value through profit or loss are immediately recognised in profit or loss as an expense when incurred.

(e) Loans receivable

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. Loans receivable are carried at fair value as they are managed together with the related equity interest on a total return basis (interest or dividends and changes in fair value). Management of the Group believes that the interest rates for loans receivable issued in 2015 are equal to market rates for loans with similar conditions; hence, the discount rate for such loans has been determined individually for each loan.

Interest income on loans is included in the net recognised changes in the fair value of financial assets at fair value through profit or loss.

Financial assets carried at amortised cost

(a) Bank deposits

Bank deposits are financial assets carried at amortised cost using the effective interest rate method. All short-term bank deposits are presented together, including those with original maturities of three months or less.

Impairment losses on bank deposits at amortised cost are recognised in profit or loss when incurred as a result of one or more events that occurred after the initial recognition and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Cash inflows and outflows from the operations with bank deposits are presented in the consolidated statement of cash flows as cash flows from investment activities on a gross basis.

3 Summary of Significant Accounting Policies (continued)

Financial assets carried at amortised cost (continued)

(b) Cash and cash equivalents

Cash and cash equivalents include cash in hand and on bank current accounts.

(c) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. Receivables are recognised initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Receivables are included in current assets, unless they have maturities greater than 12 months after the end of the reporting period, in which case they are classified as non-current assets.

An allowance for impairment is established when there is objective evidence that the Group will not be able to collect whole amounts due to be received. Significant financial difficulties of the counterparty, the probability that the counterparty will become bankrupt, a default in payments and other negative factors are considered as indicators that the amount to be received is impaired.

Prepayments

Prepayments for goods and services are carried at cost less allowance for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Prepayments for equity investments are classified as rights to obtain shares and presented within equity investments at fair value through profit or loss when management observe objective evidence that the registration process with relevant regulatory authorities would be completed in the nearest term.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and allowance for impairment, if any.

Cost includes all costs directly attributable to bringing the asset to the location and condition for its intended use. Costs of minor repairs and maintenance are expensed when incurred. The cost of replacing major parts or components of property, plant and equipment is capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the period. An impairment loss recognised for an asset in prior periods may be reversed if there has been a positive change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within operating expenses in profit or loss for the year.

3 Summary of Significant Accounting Policies (continued)

Depreciation

Depreciation of items of property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives:

	Useful lives in years
Building	10 - 50 years
Computer and office equipment	2 - 7 years
Other	5 - 20 years

The residual value of an asset is the estimated amount that the Group would currently obtain from its disposal less the estimated costs of disposal if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed and, if appropriate, adjusted at the end of each reporting period. Assets under construction are not depreciated. Depreciation of these assets will begin when the related assets are available for use.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards of ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Income taxes

Income taxes have been provided for in the financial statements in accordance with the legislation enacted or substantively enacted at the reporting date in the country in which the Company and its consolidated subsidiaries operate and generate taxable income. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the tax authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than income tax expenses are recorded in the operating expenses.

Deferred income tax is provided for the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes using the balance sheet liability method and for tax loss carry forward. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences upon initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will be reversed or the tax loss carry forward will be utilised. Deferred tax assets and liabilities are netted only in individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forward are recorded only to the extent that it is probable that future taxable profit will be available and against which the deductions can be utilised.

3 Summary of Significant Accounting Policies (continued)

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. Any excess of the fair value of the consideration received over the par value of the shares issued is recorded as share premium in equity.

Borrowings

Borrowings are carried at amortised cost using the effective interest rate method.

Trade and other payables

Trade and other payables are accrued when the counterparty performs its obligations under a contract and are carried at amortised cost using the effective interest rate method.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a legal or constructive obligation as a result of past events, when it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method. It includes interest income from cash and cash equivalents and bank deposits.

Interest income on debt instruments designated at fair value through profit or loss is not presented separately and is included in the changes of the fair value of such financial assets.

Employee benefits

Wages, salaries, contributions to the Russian Federation's state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and other) are accrued in the year in which the associated services are rendered by the Group's employees.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities in the next reporting period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. The judgements that have the most significant effect on the amounts recognised in the financial statements and the estimates that can cause a significant adjustment in the carrying amount of assets and liabilities in the future financial periods are presented below.

Investment entity

On the basis of the Company's incorporation documents, public information about the Company presented for the external users and local legislation applicable to the Company's transactions and activities the Company meets the definition of an investment entity in accordance with IFRS 10 because the following conditions are satisfied:

(a) it obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Investment entity (continued)

(b) it commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

(c) it measures and evaluates the performance of substantially all of its investments on a fair value basis.

In particular, when considering criterion b) above, management took into account certain ancillary activities of the Group (e. g. being the Government's agent in specific infrastructure projects) and concluded that such activities were immaterial and did not change the business purpose of the Group, which is to invest funds in nanotechnology for returns from capital appreciation and investment income.

Further, in assessing whether the Company meets the definition, management considered the following typical characteristics of an investment entity:

(a) it has more than one investment;

(b) it has more than one investor;

(c) it has investors that are not related parties of the entity;

(d) it has ownership interests in the form of equity or similar interests.

The Company does not meet all of the typical characteristics of an investment entity. In particular as at 31 December 2015 and 31 December 2014 the Government of Russian Federation was the sole owner of 100% of the shares in the Company’s share capital. However market of nano-technologies and nano-technology infrastructure in Russian Federation is an emerging market therefore there are restrictions of the abilities of financing provided by private sector of the economy due to high risks and market and technological uncertainty. Under the circumstances only the Government of Russian Federation had an ability to take potential risk of investing to the emerging sphere and became the sole investor of the Company. Based on this reasoning from this fact management believes the Company is nevertheless an investment entity.

Fair value of equity investments not quoted in the active market

The fair value of investments to portfolio companies not quoted in the active market at initial recognition is usually best evidenced by the transaction price. If the transaction price is fair value at initial recognition and a valuation technique that uses unobservable inputs will be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the result of the valuation technique approximates the transaction price.

Following initial recognition, the fair value of equity securities of portfolio companies is determined by using valuation techniques, primarily financial models based on the estimated future cash flows. The financial models are prepared based on the cash flow forecasts, which have been updated for the circumstances and events which occurred as at the end of the reporting period and were known to management as of the date the financial statements were authorized for issue. Management uses adjusted present value models with appropriate discount factor that incorporates the estimated project risks. In the discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio company and the risk premium for the project risk that are incorporated in the discount rate. However if appropriate, the discount rates used for valuing equity instruments are determined with regard to the expected equity returns for other entities operating in the same industry for which market returns are observable.

Models are periodically reviewed by the Group’s investment managers. The sensitivity of the factors impacting the fair value estimation for equity investments is presented in Note 21.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Fair value of equity instruments with embedded options

Management has analysed the terms of investment contracts in respect of its investments into portfolio companies, including the embedded call and put options. The options embedded in the investment contracts are not separated from the host instruments. Management embedded the effects of the options in the financial models for such portfolio companies with the options limiting the fluctuation of the possible outcomes of a particular investment in a definite range. The majority of such investment projects are at a start-up phase; therefore, management considers it appropriate to account for such instruments at a fair value limited by the values embedded in the put or call options, which are in-the-money upon expected exit date. Put options contain the unconditional rights to sell shares embedded in the investment contract. Call options contain the rights but not the obligations to buy shares embedded in the investment contract. The sensitivity of the factors impacting the fair value estimation for equity investments with embedded options is presented in Note 21.

Interest rates affecting the loans receivable

The discount rates used to determine the fair value of the loans receivable as at 31 December 2015 are within the range of 12-16% per annum (31 December 2014: within the range of 12-16% per annum). These discount rates have been confirmed by an analysis of market rates for loans with similar conditions and interest rates on loan financing received by portfolio companies.

Valuation of loans

Underlying the valuation of loans receivables are cash flow forecasts using the discounted cash flow valuation technique. Management reviews the loan portfolio to assess whether there is any observable data indicating a measurable decrease in the estimated future cash flows from loans receivable. This evidence may include observable data indicating an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets in the group of loans. The cash flow estimates consider the possible realisable value of collateral, if any. Gains or losses resulting from both changes in the estimates of future cash flows and changes in the discount rates are presented in profit or loss as an increase or a decrease in the fair value of financial assets through profit or loss. The sensitivity of the factors impacting the fair value estimation for loans receivable is presented in Note 21.

5 Balances and Transactions with Related Parties

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is focused on the substance of the relationship, and not merely the legal form. All related party transactions were made at an arm’s length on normal commercial terms and conditions.

Ultimate controlling party

The Group’s ultimate controlling party is the Government of the Russian Federation. Hence, all parties related to the Government of the Russian Federation are also related parties of the Group.

5 Balances and Transactions with Related Parties (continued)

Government-related entities

In the normal course of business, the Group enters into multiple transactions with state-owned entities, such as placing cash and cash equivalents and bank deposits, paying taxes, purchasing services from utilities and other similar payments. However, not all such transactions have a significant impact on the financial statements of the Group. Management presents hereunder only the balances and transactions with entities in which the government has control, joint control or significant influence, which relate to the core operating activities of the Group. The table below presents individually significant transactions with government-related entities and the individually insignificant transactions with regard to which it was practicable to identify and report them.

	31 December 2015		31 December 2014	
In million of Russian Roubles	**Russian Government**	**State-owned entities**	**Russian Government**	**State-owned entities**
Assets				
Other receivables	5,008	9	1,976	15
Bank deposits – short term	-	10,787	-	9,770
Cash and cash equivalents	-	1,692	-	2,457
Liabilities and commitments	**-**			
Borrowings	-	72,759	-	66,430
Other payables and accrued expenses	-	217	-	232
Capital commitments	-	-	5,902	
Income				
Interest income	-	2,487	-	893
Expenses				
Finance costs	-	6,667	-	5,811

Contractual interest rates of borrowings as at 31 December 2015 and 31 December 2014 were 2.5%-12.17% p.a. and 2.5%-10.98% p.a., respectively. Contractual interest rates of RUB denominated deposits as at 31 December 2015 and 31 December 2014 were 3.7%-11.75% p.a. and 11.91%-23.62% p.a., respectively. Contractual interest rates of deposits denominated in other currency as at 31 December 2015 and 31 December 2014 were 0,07% p.a. and 1.70%-3.80% p.a. respectively.

Portfolio companies

In the ordinary course of business the Group invests in nano-technology projects. Usually the Group maintains control or significant influence over its investees. So most of financial assets accounted at fair value through profit or loss other than assets held for trading (Note 8) represents investments in related parties. Contractual commitments to invest in portfolio companies are disclosed in Note 19.

Balances with subsidiaries accounted at fair value through profit or loss are as follows:

In million of Russian Roubles	**31 December 2015**	**31 December 2014**
Equity instruments at fair value	5,198	2,326
Loans receivable at fair value (contractual interest rate: 13% – 16% p.a.)	1,026	568
Equity investments with embedded options	240	11
Expected financing	2,699	95

During the year ended 31 December 2015 and 2014 the Group did not have any material transactions with its portfolio companies other than investments.

Key management personnel

Key management personnel of the Group in 2015 and 2014 include the Board of Directors of the Company, the Board of Directors of Management Company Rusnano LLC, and the Management Board of Management Company Rusnano LLC.

The remuneration of the key management personnel of the Group for the year ended 31 December 2015 comprises salaries and short-term bonuses amounting to RUB 226 million (2014: RUB 111 million).

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services. As at 31 December 2015 the Group do not have the outstanding salary or short-term bonuses liabilities to key management personnel (31 December 2014: nil).

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In million of Russian Roubles	**Building**	**Computer and office equipment**	**Other**	**Total**
Cost as at 1 January 2014	3,256	2,770	14	6,040
Accumulated depreciation	(344)	(1,899)	(14)	(2,257)
Carrying amount as at 1 January 2014	**2,912**	**871**	**-**	**3,783**
Additions	-	79	15	94
Disposals at cost	-	(93)	-	(93)
Depreciation charge	(109)	(364)	-	(473)
Depreciation on disposal	-	85	-	85
Carrying amount as at 31 December 2014	**2,803**	**578**	**15**	**3,396**
Cost as at 31 December 2014	3,256	2,756	29	6,041
Accumulated depreciation	(453)	(2,178)	(14)	(2,645)
Carrying amount as at 31 December 2014	**2,803**	**578**	**15**	**3,396**
Additions	-	74	2	76
Disposals at cost	-	(72)	-	(72)
Depreciation charge	(109)	(300)	-	(409)
Depreciation on disposal	-	71	-	71
Carrying amount as at 31 December 2015	**2,694**	**351**	**17**	**3,062**
Cost as at 31 December 2015	3,256	2,758	31	6,045
Accumulated depreciation	(562)	(2,407)	(14)	(2,983)
Carrying amount as at 31 December 2015	**2,694**	**351**	**17**	**3,062**

7 Investment in Associate

As at 31 December 2015 and 2014 the Company owns 46.2% of ordinary shares of CJSC Innovative Technopark Idea (“Technopark”) incorporated in the Russian Federation. Technopark provides a full range of services for developing business, such as lease of office spaces and industrial premises, access to high-tech equipment of nanotechnology centre, information and consulting services.

As at 31 December 2015 and 2014 and for the years then ended, the summarised financial information of Technopark was as follows:

In million of Russian Roubles	**2015**	**2014**
Non-current assets	2,079	1,836
Current assets	1,613	1,731
Non-current liabilities	(2)	(2)
Current liabilities	(102)	(111)
Revenue	366	435
Profit	134	69
Total comprehensive income	134	69

8 Financial Assets at Fair Value through Profit or Loss

The structure of the Group's investments at fair value through profit or loss is detailed below:

		31 December 2015	31 December 2014
In million of Russian Roubles	**Note**	**Fair value**	**Fair value**
Current assets			
Equity instruments	8.3	1,243	844
including shares in investment funds		*186*	-
Equity investments with embedded options		1,096	1,390
Total equity instruments at fair value through profit or loss within current assets		**2,339**	**2,234**
Non-current assets			
Equity instruments		87,700	71,989
including shares in investment funds	8.3	*11,621*	*24,905*
Equity investments with embedded options		25,139	23,049
Total equity instruments at fair value through profit or loss within non-current assets		**112,839**	**95,038**
Total equity instruments at fair value through profit or loss	8.1	**115,178**	**97,272**
Current portion of loans receivable		4,493	2,465
Non-current portion of loans receivable		18,577	12,780
Total loans to the portfolio companies	8.2	**23,070**	**15,245**
Financial assets held for trading	8.4	10,168	6,933
Total investments		**148,416**	**119,450**

8.1 Equity investments in portfolio companies

Equity investments of the Group at fair value through profit or loss are represented by the equity investments in the portfolio companies without embedded options, equity investments with embedded options and shares in the investment funds.

Management believes that the financial models used for initial fair value assessment are reliable, and they were updated for the facts and circumstances occurred as at 31 December 2015.

8.2 Loans receivable

As part of its operating activity, the Group provides loan financing to its portfolio companies. Loans receivable are usually secured by collateral (pledged equipment, shares and intangible assets – see Note 21) and bear interest ranging from 7% to 22% p.a. The loans were discounted to fair value using market rates appropriate for each loan that are within the range of 12-16% p.a. (31 December 2014: within the range of 12-16% p.a.) (Note 3, 21).

8.3 Shares in investment funds

The Group invests in funds with activities that are in-line with the Group strategy. Shares in investment funds are carried at fair value through profit or loss and amount to RUB 11,807 million and RUB 24,905 million as at 31 December 2015 and 31 December 2014, respectively.

8.4 Financial assets held for trading

Financial assets held for trading are represented by quoted debt securities, including bonds with a fixed coupon, the majority of which are bonds issued by Russian companies quoted in the open market. The fair value of quoted debt securities is determined by reference to published price quotations in the active market.

8 Financial Assets at Fair Value through Profit or Loss (continued)

8.4 Financial assets held for trading (continued)

The coupon accrued on debt securities was classified as part of fair value gains or losses (Note 17) in the consolidated statement of comprehensive income.

The credit quality of investments held for trading at fair value through profit or loss may be summarised with regard to Moody's / Standard & Poor's ratings as follows as at 31 December 2015 and 2014:

In million of Russian Roubles	31 December 2015	31 December 2014
Neither past due nor impaired		
- A3* rated	-	245
- B1-B2* rated	1,053	165
- Ba1 to Ba3* rated	7,845	1,832
- Baa1 to Baa3* rated	-	3,888
- B+** rated	540	89
- BB+ to BB** rated	730	714
Total financial assets held for trading	**10,168**	**6,933**

* - Moody's;
** - Standard & Poor's.

9 Other Receivables and Prepayments

In million of Russian Roubles	31 December 2015	31 December 2014
Reimbursable expenses	5,008	1,976
Other receivables	772	885
Total financial assets within other receivables and prepayments	**5,780**	**2,861**
Other prepayments	118	226
Total other receivables and prepayments	**5,898**	**3,087**
Less non-current portion	(152)	(231)
Total other receivables and prepayments – current portion	**5,746**	**2,856**

As at 31 December 2015 and 2014, the carrying value of each class of short-term financial assets with regard to other receivables and prepayments approximates their fair values. During the reporting period, the Group recognized reversal of allowance for impairment of other receivables in the amount of RUB 41 million (2014: allowance for impairment of other receivables in the amount RUB 352 million) (Note 16).

Reimbursable expenses comprise a receivable due from the Ministry of Education and Science of the Russian Federation. In 2015 and 2014 the Company contributed financial resources to a portfolio company, XFEL, established in Hamburg (Germany) of RUB 5,008 million and RUB 1,976 million respectively. In 2015 the Ministry of Finance of the Russian Federation reimbursed most of Company's contribution payments made in 2014. The reimbursement of contributions made by the Company and not reimbursed before is scheduled in 2016 (Note 19).

10 Bank Deposits

In million of Russian Roubles	**31 December 2015**	**31 December 2014**
Bank deposits	45,409	57,128
including interest receivable	*461*	*1,548*
Total bank deposits	**45,409**	**57,128**

In million of Russian Roubles	**Rating**	**Currency**	**31 December 2015**	**31 December 2014**
Neither past due nor impaired				
Julius Baer&Co Ltd. Zurich	Aa**	USD	7,653	-
Rosselkhozbank	BB+*	RUB	6,025	-
Credit bank of Moscow	B1**	RUB	5,576	12 943
Bank FC Otkritie	Ba3**	USD	5,087	1 772
Promsvyazbank	Ba3**	RUB	4,537	8 283
Svyazbank	BB-***	RUB	3,511	7 000
Promsvyazbank	Ba3**	USD	3,404	-
AK BARS Bank	B2**	RUB	3,159	2 030
Bank Zenit	B1**	RUB	3,130	-
Bank FC Otkritie	Ba3**	RUB	1,148	13 903
Gazprombank	Ba2**	RUB	1,112	-
Bank FC Otkritie	Ba3**	EUR	924	346
Gazprombank	Ba2**	USD	102	-
Sberbank	BBB- *	RUB	37	121
Sberbank	BBB-*	USD	-	2 531
Bank of Saint Petersburg	BB-*	RUB	-	1 033
Julius Baer&Co Ltd. Zurich	Aa**	EUR	-	7 044
Other			4	122
Total bank deposits			**45,409**	**57,128**

* - Fitch's;

** - Moody's.

***- Standard&Poor’s

As at 31 December 2015 the annual effective interest rates for bank deposits are similar to their contractual rates and amount to 3.7%-12.4% for deposit nominated in Russian Roubles (31 December 2014: 10%-24.5% %) and 0.3%-2.2% % for deposit nominated in other currencies (31 December 2014: 1.7%-3.8%). The original maturity of bank deposits as at 31 December 2015 is below 9 months (31 December 2014: below 12 months).

11 Cash and Cash Equivalents

In million of Russian Roubles	**31 December 2015**	**31 December 2014**
Cash at bank	16,355	6,848
Total cash and cash equivalents	**16,355**	**6,848**

The following table presents cash and cash equivalents by currencies:

In million of Russian Roubles	**31 December 2015**	**31 December 2014**
RUB	15,501	4,438
USD	756	1,888
EUR	97	521
CHF	1	1
Total cash and cash equivalents	**16,355**	**6,848**

11 Cash and Cash Equivalents (continued)

The credit quality of the banks in which the Group has cash and cash equivalents may be summarised with regard to Fitch's / Moody's ratings as follows:

In million of Russian Roubles	31 December 2015	31 December 2014
Neither past due nor impaired		
- BBB- to BBB+ * / Aaa to A ** rated	2,131	2,162
- BB- to BB+ * / Baa ** rated	14,072	4,378
- B- to B+ * / Ba, B ** rated	2	121
- Unrated	150	187
Total cash and cash equivalents	**16,355**	**6,848**

* - Fitch's;

** - Moody's.

12 Equity

Share capital

As at 31 December 2015, the share capital of the Company comprises 53,741,700,000 ordinary shares of RUB 1 each (as at 31 December 2014: 53,741,700,000 ordinary shares of RUB 1 each).

All issued shares are authorized and fully paid at par value as of 31 December 2015 and 2014.

Distributions

During the year ended 31 December 2015 and 2014 no dividends were paid or declared by the Company.

Currency translation reserve

The Group's consolidated financial statements are presented in Russian Roubles. Currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries into presentation currency. Foreign currency translation differences during 2015 comprised net gain of RUB 12,144 million (2014: RUB 16,574 million). The currency translation reserve totalled RUB 30,474 million as at 31 December 2015 (RUB 18,330 million as at 31 December 2014).

13 Borrowings

In million of Russian Roubles	Currency	Effective annual interest rate	Due	31 December 2015	31 December 2014
Bonds (Series 01-03)	RUB	8.9%	2017	33,055	33,034
Bonds (Series 04-05)	RUB	Consumer price index-100%+2.5%	2019	20,771	20,413
Bonds (Series 06-07)	RUB	12.5, 12.75%	2022	18,235	-
Sberbank	RUB	8.67- 12.17%	2016- 2021	71,796	64,975
Bank of Saint Petersburg	RUB	Refinancing rate of the Russian Central Bank +1.5%-3%	2015-2019	4,375	10,000
Other	RUB	9.24-11.59%	2015-2019	1,127	1,603
Total borrowings				**149,359**	**130,025**
Less					
Current portion of long-term borrowings				**(16,023)**	**(18,592)**
Total long-term borrowings				**133,336**	**111,433**

The effective interest rate is the market interest rate applicable to the loan at the date of origin for fixed rate loans and the current market rate for floating rate loans. The carrying value of borrowings approximates their fair values.

13 Borrowings (continued)

The carrying value of bonds includes transaction costs that are directly attributable to the issue of bonds in the amount of RUB 21 million (31 December 2014: RUB 27 million).

The carrying value of the loans from Sberbank includes transaction costs that are directly attributable to the issue of the loans in the amount of RUB 218 million (31 December 2014: RUB 267 million).

The Group borrowings in respect of bondholders and creditors are secured by the guarantees issued by the Government of the Russian Federation.

14 Other Payables and Accrued Expenses

In million of Russian Roubles	**31 December 2015**	**31 December 2014**
Accrued liabilities and other creditors	119	450
Payables to suppliers	104	133
Total financial liabilities within other payables and accrued expenses	**223**	**583**
Accrued employee benefit costs	700	819
Income tax payable	80	81
Other taxes payable	190	147
Total other payables and accrued expenses	**1,193**	**1,630**

The carrying values of each class of financial liabilities within other payables and accrued expenses approximates their fair values.

15 Interest Income

Interest income on financial assets carried at amortised cost consists of the following:

In million of Russian Roubles	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Interest income on short-term banks deposits	6,020	5,948
Interest income on cash and cash equivalents	349	352
Total interest income	**6,369**	**6,300**

16 Operating Expenses

In million of Russian Roubles	**Note**	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Payroll expense		2,861	2,370
Taxes, other than income tax		741	642
Depreciation	6	409	473
Consulting services		391	367
Office maintenance		170	165
Security		150	168
Business trips and entertainment		94	85
Equipment support and telecommunication		94	64
Car rent		87	91
Project expertise		73	103
Legal services		65	90
Amortisation		42	41
(Reversal of allowance) / allowance for impairment of other receivables		(41)	352
Other expenses		475	561
Total operating expenses		**5,611**	**5,572**

Payroll expense includes social security contributions for the Group employees in 2015 of RUB 321 million (2014: RUB 376 million).

17 Net Gain on Financial Assets at Fair Value Through Profit or Loss

In million of Russian Roubles	**Note**	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Change in fair value of equity instruments	23	2,055	2,768
Change in fair value of equity investments with embedded options	23	3,471	(1,165)
Change in fair value of loans to the portfolio companies	23	3,324	(489)
Change in fair value of financial assets held for trading	23	1,496	(634)
Net gain on financial assets at fair value through profit or loss		**10,346**	**480**

In 2015 changes in the fair value of debt instruments attributable to change in credit risk amounted to RUB 1,043 million (2014: RUB 3,435 million).

Interest income on debt financial instruments designated at fair value through profit or loss included in change in fair value of loans to the portfolio companies amounted to RUB 3,501 million (2014: RUB 2,974 million).

18 Income Taxes

Income tax expense recorded in the consolidated statement of comprehensive income comprises the following:

In million of Russian Roubles	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Current income tax expense	225	245
Deferred tax (income)/expense	(6,616)	24
Income tax for the year	**(6,391)**	**269**

The income tax rate applicable to the majority of the Group's 2015 activities is 20% (2014: 20%). Reconciliation between the expected and the actual taxation charge is provided below:

In million of Russian Roubles	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Loss before tax	**(1,497)**	**(8,145)**
Theoretical tax credit at the statutory rate of 20%	(299)	(1,629)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Other non-deductible expenses	678	193
- Other non-assessable incomes	-	(66)
Recognition of deferred tax asset	(6,770)	-
Unrecognised deferred tax asset	-	1,771
Income tax benifit for the year	**(6,391)**	**269**

Differences between the IFRS and taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

Temporary differences recorded relate primarily to differences between IFRS and tax regulations within Russian Federation. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2014: 20%).

18 Income Taxes (continued)

The tax effect of the movements in the temporary differences for the year ended 31 December 2014 is the following:

In million of Russian Roubles	1 January 2015	Recognized in statement of comprehensive income	31 December 2015
Tax effect of deductible/ (taxable) temporary differences			
Fair value adjustments to loans receivable	4,142	(1,325)	2,817
Fair value adjustments to investments	6,878	603	7,481
Borrowings	(129)	44	(85)
Other payables and accrued expenses	128	33	161
Tax loss carried forward	2,615	491	3,106
Unrecognized deferred tax asset	(13,741)	6,770	(6,971)
Net recognized deferred tax asset/(liability)	**(107)**	**6,616**	**6,509**

The tax effect of the movements in relation to the temporary differences for the year ended 31 December 2014 are the following:

In million of Russian Roubles	1 January 2015	Recognized in statement of comprehensive income	Recognized in equity	31 December 2014
Tax effect of deductible/ (taxable) temporary differences				
Fair value adjustments to loans receivable	2,890	1,252	-	4,142
Fair value adjustments to investments	7,379	(501)	-	6,878
Borrowings	(173)	39	5	(129)
Other payables and accrued expenses	150	(22)	-	128
Tax loss carried forward	1,636	979	-	2,615
Unrecognized deferred tax asset	(11,970)	(1,771)	-	(13,741)
Net recognized deferred tax liability	**(88)**	**(24)**	**5**	**(107)**

As at 31 December 2015 the Group estimated its future taxable profit against which deductible temporary differences and tax loss carried forward can be utilized and recognized recoverable deferred tax asset in the amount of RUB 6,621 million in the consolidated financial statements. As at 31 December 2014 the recoverable deferred tax asset was estimated in the amount of RUB 115 million.

Unrecognized deferred tax assets as at 31 December 2015 include those related to tax loss carried forward in the amount of RUB 3,106 million (31 December 2014: RUB 2,615 million). According to the Russian Federation legislation, tax loss carried forward expires within ten-year period from the origination in 2021-2025.

19 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management believes that no material losses will be incurred in respect of claims; accordingly, no provisions have been made in these consolidated financial statements.

Tax legislation. The Group follows the provisions of the Russian tax legislation, clarifications of the controlling authorities and court practice while performing its business activities. If any difficult questions arise in the sphere of taxation or in case of planning non-typical transactions, the Group's management requests specific clarifications of the controlling authorities in order to officially confirm its position regarding interpretation of the particular provisions of the Russian tax legislation.

Recently the tax legislation was updated by provisions related to additional control of activities of Russian and international groups of companies, including controlled foreign companies rules and transfer pricing rules.

19 Contingencies and Commitments (continued)

Tax contingencies

In particular, the controlled foreign companies rules effective starting from 1 January 2015 allow taxation of non-distributed profit of a foreign company controlled by a Russian tax resident (an individual or a company) in Russia subject to fulfillment of certain conditions. The Russian tax resident controlling that foreign company is responsible for making a tax payment on such profit and filing of relevant notifications.

The Russian transfer pricing legislation effective starting from 1 January 2012 requires that the prices used in the transactions between affiliated Russian and foreign counterparties comply with the market level. In accordance with these rules the taxpayers performing controlled transactions that satisfy certain criteria have to file notifications disclosing the details of such transactions and also have the right to file a transfer pricing documentation substantiating compliance of the level of the used prices with the market level upon the request of the controlling authorities. It is worth to note that the specific transfer pricing methods apply to the transactions with securities and derivatives.

Capital and rent commitments. As at 31 December 2015 and 2014, the Group has no material contractual capital expenditure or rent commitments.

In 2009, the Company contractually committed to participate in the European X-ray laser project at the request of the Government of the Russian Federation. Thirteen European countries are also participating in this project. As at 31 December 2015 the Company is not expected to contribute any further financing to the portfolio company XFEL established in Hamburg (Germany) (31 December 2014: the Company was obliged to contribute financing of RUB 5,902 million) (Note 21). During the reporting period, the Company contributed RUB 4,818 million to XFEL (2014: RUB 2,173 million). The Government of the Russian Federation will reimburse the expenditures incurred by the Company concerning this project.

20 Principal Subsidiaries

The principal consolidated subsidiaries of the Company as at 31 December 2015 and 2014:

			Percentage of ownership	
Name	**Country of registration**	**Primary activities**	**31 December 2015**	**31 December 2014**
Management Company RUSNANO LLC	Russian Federation	Management company	99%	99%
RUSNANO Capital AG	Switzerland	Investment activities	100%	100%
Fonds Rusnano Capital S.A.	Luxembourg	Investment activities	100%	100%
RusnanoMedInvest LLC	Russian Federation	Investment activities	100%	100%
Rusnano-Inform JSC	Russian Federation	IT services, engineering services, investments	100%	100%
Metrological center Rusnano LLC	Russian Federation	Infrastructure activities	-	100%
SIGMA.Innovations LLC	Russian Federation	Infrastructure activities	-	75%
SIGMA.Novosibirsk LLC	Russian Federation	Infrastructure activities	83%	90%
SIGMA.Tomsk LLC	Russian Federation	Infrastructure activities	90%	90%
Technology Transfer Center LLC	Russian Federation	Infrastructure activities	75%	75%

The percentage of voting rights in the equity of the subsidiaries in which the Company holds is the same as its percentage of ownership as at 31 December 2015 and 2014.

During the year ended 31 December 2015 the subsidiary SIGMA.Innovations LLC was merged with another subsidiary SIGMA.Novosibirsk LLC. The reorganisation has no any material effect on the Group's financial position or performance.

20 Principal Subsidiaries (continued)

During the year ended 31 December 2015 the subsidiary Metrological Center Rusnano LLC was liquidated. The liquidation has no any material effect on the Group's financial position or performance.

As at 31 December 2015 the following subsidiaries were not consolidated and were accounted as financial assets at fair value through profit or loss:

	Country of incorporation	% of ownership
Liotech LLC	Russia	86%
Microbor Nanotech LLC	Russia	100%
OtriTech LLC	Russia	53%
RM Nanotech CJSC	Russia	73%
Optogan CJSC	Russia	52%
Rusalox LLC	Russia	85%
LED-Energoservis LLC	Russia	94%
ESTO-Vacuum LLC	Russia	59%
Novye Technologii Stroitelstva LLC	Russia	100%
Prepreg-SV LLC	Russia	51%
Prepreg-SKM LLC	Russia	97%
Plastic Logic CJSC	Russia	100%
FlexEnable Limited	UK	99%
Advenira Enterprises, Inc.	USA	61%

As at 31 December 2014 the following subsidiaries were not consolidated and accounted at fair value through profit or loss:

	Country of incorporation	% of ownership
Liotech LLC	Russia	86%
Microbor Nanotech LLC	Russia	100%
OtriTech LLC	Russia	53%
RM Nanotech CJSC	Russia	73%
Optogan CJSC	Russia	52%
Rusalox LLC	Russia	81%
Advenira Enterprises, Inc.	USA	61%

21 Financial Risk Management

The Group's risk management relates to financial, operating and legal risks. Financial risks comprise market risks (including currency, interest and other price risks), credit risks and liquidity risks. The primary objectives of the risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure the proper application of internal policies and procedures to minimise operational and legal risks. The Group uses financial instruments to moderate certain risk exposures.

21 Financial Risk Management (continued)

Credit risk. The Group assumes exposure to credit risk which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation.

The Group's maximum exposure to credit risk is summarised in the table below. It does not include any collateral or other credit risk enhancements, which reduce the Group's exposure.

In million of Russian Roubles	**Note**	**31 December 2015**	**31 December 2014**
Equity instruments with embedded put options	8	26,235	24,439
Loans receivable	8	23,070	15,245
Financial assets held for trading	8	10,168	6,933
Financial assets within other receivables and prepayments	9	5,780	2,861
Bank deposits	10	45,409	57,128
Cash and cash equivalents	11	16,355	6,848
Total on-balance sheet exposure		**127,017**	**113,454**
Commitment to finance XFEL Laser project	19	-	5,902
Total maximum exposure to credit risk		**127,017**	**119,356**

Cash and cash equivalents and short term bank deposits are carried at amortised cost, which approximates current fair value. The Group places temporarily available funds with credit institutions selected by special criteria specified by the financial policy of the Group, such as:

- a credit institution should have long-term solvency ratings assigned by at least two international or national rating agencies with at least one assigned by international rating agency. The long-term solvency ratings should meet the following criteria: if rated by Fitch Ratings, Standard & Poor's and Moody's Investors Service – not less than national rating of Russian Federation decreased by 4 stages or above; if rated by National Rating Agency – AAA or above; if rated by Rating Agency Analysis, Consulting and Marketing – A++ or above; if rated Rus-Rating – A- or above and if rated by Rating Agency Expert RA – A++ or above;
- the availability of a credit institution's own funds (equity) in the amount of at least RUB 15,000 million (determined with regard to the methodology approved by the Central Bank of Russia) as of the most recent end of the reporting period;
- other limitations including those for share of borrowings portfolio provided to legal entities and entrepreneurs and for share of problem assets.

Management performs regular monitoring of the financial results and ratings of financial institutions where temporarily available cash is invested.

The Group provides financial resources to portfolio companies primarily by means of equity and/or debt instruments. Those instruments include loans receivable and equity investments with embedded derivatives, where the risks and rewards of equity ownership were not substantially transferred to the Group. Generally, the Group provides financial resources only if it has an equity investment in a portfolio company to facilitate influence over implementation of the project. It is preferrable to grant the loan in tranches according to approved milestones.

The Group makes the decision to participate in a project after assessing the portfolio company's financial position and business plan at the preliminary examination phase for each investment project. Within examination phase the Group classifies key risks of the portfolio company (including management team competencies risk, market risk, tecnnology risk, investment risk, financial risk, legal risk and other risks) as high, medium or low upon probability and potential negative effect on fair value of the investment.

21 Financial Risk Management (continued)

Credit risk (continued)

Overall risk of project with three or more high risks is defined as high, overall risk of project with one or two high risks or three or more medium risks is defined as medium and overall risk of project without high risks and with two or less medium risks is defined as low. As a result, all projects are classified by risk groups. Interest rates depend on the risk of a project and the security provided.

The Group issues loans to high risk portfolio companies only when it receives a legal right to high quality loan security.

Combination of loans receivable by risk groups as at reporting dates were as follows:

In million of Russian Roubles	**31 December 2015**	**31 December 2014**
Low	716	1,100
Medium	7,108	3,907
High	15,246	10,238
Total loans receivable	**23,070**	**15,245**

The Group accepts pledged property, such as production equipment, shares and intangible assets, as loan collateral only if its market value is assessed by an independent appraiser approved by JSC RUSNANO.

Management assesses the risk of default and incorporates it in the assessment of the overall fair value of the investment.

The table below represent the lower of the carrying value of the financial asset or collateral taken; the remaining part is disclosed within the unsecured exposures.

In million of Russian Roubles	**31 December 2015**	**31 December 2014**
Collateralised assets:		
Equity instruments with embedded options	2,036	4,795
Loans	9,200	8,242
Total collateralised assets	**11,236**	**13,037**
Unsecured exposures:		
Equity instruments with embedded options	24,199	19,644
Loans	13,870	7,003
Total unsecured exposures	**38,069**	**26,647**
Total loans and equity instruments with embedded options	**49,305**	**39,684**

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

	Over-collateralised assets		**Under-collateralised assets**	
In million of Russian Roubles	**Carrying value of the assets**	**Fair value of collateral**	**Carrying value of the assets**	**Fair value of collateral**
As at 31 December 2015				
Equity instruments with embedded options	1,878	2,304	24,357	158
Loans	6,130	14,284	16,940	3,070
Total as at 31 December 2015	**8,008**	**16,588**	**41,297**	**3,228**
As at 31 December 2014				
Equity instruments with embedded options	3,920	4,288	20,519	875
Loans	2,490	6,425	12,755	5,752
Total as at 31 December 2014	**6,410**	**10,713**	**33,274**	**6,627**

21 Financial Risk Management (continued)

Credit risk (continued)

A credit risk for off-balance sheet financial instruments is defined as the possibility of a loss as a result of another party to a financial instrument failing to fulfil its obligations in accordance with the contractual terms. The Group applies the same credit policy as for the off-balance sheet financial instruments by using the existing procedures for credit approvals, and credit limit setting and monitoring.

Credit risk concentration. As at 31 December 2015 the Group keeps cash and cash equivalents at 12 banks (31 December 2014: 13 banks) and bank deposits at 12 banks (31 December 2014: 9 banks). The financial instruments of the Group exposed to credit risk relates to 47 portfolio companies (31 December 2014: 49 portfolio companies).

Market risk. The Group assumes exposure to market risks. Market risks arise from open positions in the interest rate, currency and equity investments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted. However, the use of this approach does not prevent losses outside the limits in the event of more significant market movements.

Sensitivity to market risks described below is based on a change in one factor, while other factors remain unchanged. In practice, this is unlikely and changes in factors can be interdependent, e.g., simultaneous changes in the interest rates and foreign exchange rates.

Currency risk. The Group's assets and liabilities are denominated in currencies other than the functional currencies of certain Group's entities and therefore the Group is exposed to the currency risk. This risk arises primarily in respect to the assets and liabilities nominated in the US dollar and to the Euro. Management analyses currency position of the Group on a regular basis.

The table below summarises the Group's exposure to the foreign currency exchange rate risk at the end of the reporting period:

In million of Russian Roubles	31 December 2015 EUR-denominated	31 December 2015 USD-denominated	31 December 2015 CHF-denominated	31 December 2014 EUR-denominated	31 December 2014 USD-denominated	31 December 2014 CHF-denominated
Assets	1,329	17,323	1	7,919	6,441	1
Liabilities	(55)	(7)	(2)	(160)	(19)	(10)
Net exposure	**1,274**	**17,316**	**(1)**	**7,759**	**6,422**	**(9)**

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in the exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables being constant:

In million of Russian Roubles	31 December 2015 Reasonably possible change in exchange rates (%)	31 December 2015 Impact on comprehensive income and equity: Increase	31 December 2015 Impact on comprehensive income and equity: (Decrease)	31 December 2014 Reasonably possible change in exchange rates (%)	31 December 2014 Impact on comprehensive income and equity: Increase	31 December 2014 Impact on comprehensive income and equity: (Decrease)
EUR	14.0	178	(178)	23.0	1,785	(1,785)
USD	19.0	3,290	(3,290)	33.0	2,119	(2,119)
CHF	14.0	-	-	12.0	(1)	1
Total for assets denominated in foreign currencies		**3,468**	**(3,468)**		**3,903**	**(3,903)**

Interest rate risk. The Group assumes exposure to the effects of fluctuations in the prevailing levels of the market interest rates on its financial position and cash flows. The majority of the Group's financial assets and liabilities are at fixed interest rates. The interest risk is secondary to the credit risk and business risks in the field of nanotechnology. However on a regular basis management monitors financial markets for the purpose of identification of unfavourable trends in changes of interest rates and where feasible, is prepared to take measures relating to decrease of exposure to interest rate risk (optimisation of portfolio structure, expansion in the number of partner banks, entering into forward and option contacts, etc.).

21 Financial Risk Management (continued)

Interest rate risk (continued)

The Group is exposed to the interest rate risk through loans, cash at a bank, bank deposits, options embedded in investment contracts, financial assets held for trading and borrowings. The Group may also be indirectly affected by the interest rate changes through their impact on the earnings of certain investees. Therefore, the sensitivity analysis of the interest risk given below may not indicate the total effect on the Group's profit and equity.

As at 31 December 2015 and 2014 the Group has significant amount of borrowings with variable interest rates (Note 13) that results in direct exposure to interest rate risk. The maturity analysis of the Group liabilities is shown below in liquidity risk.

Financial instruments of the Group include equity investments with embedded options which are valued similarly as fixed income securities according to the conditions of the option agreements. If at the end of the reporting period these instruments are evaluated using options as a fair value driver in the option valuation model, they are primarily sensitive to changes in the discount rates used in this valuation model. If at the end of the reporting period equity investments with embedded options are evaluated using discounted cash flows as a fair value driver in the valuation model, they are primarily sensitive to equity price risk, and the sensitivity analysis for changes in discount rates used in this valuation model is shown below in equity price risk.

The Group's interest rate exposure also arises on investments held for trading in debt securities, the value of which is determined with regard to the market quotes and depends on market interest rate fluctuations. The debt securities are classified as held for trading because they are acquired for the purpose of selling and/or repurchasing them shortly.

The following table demonstrates the sensitivity of the Group's comprehensive income for the year and equity as at 31 December 2015 and 31 December 2014 to a reasonably possible change in interest rates with all other variables held constant.

	31 December 2015			**31 December 2014**		
	Reasonably possible change in interest rates (%)	**Impact on comprehensive income and equity**		**Reasonably possible change in interest rates (%)**	**Impact on comprehensive income and equity**	
In million of Russian Roubles		**Increase**	**(Decrease)**		**Increase**	**(Decrease)**
Equity investments with embedded options	+3 / -3	(1,718)	2,240	+3 / -3	(991)	1,136
Loans receivable	+3 / -3	(2,181)	2,736	+3 / -3	(450)	491
Financial assets held for trading	+0.55 / -0.55	(158)	158	+0.65 / -0.65	(160)	160
Borrowings	+3 / -3	(730)	730	+3 / -3	(898)	898
Total		**(4,787)**	**5,864**		**(2,499)**	**2,685**

Equity price risk. The Group's investments in portfolio companies and investment funds are exposed to equity price risk arising from uncertainties about the future values of the equity instruments. Investments in new projects commences only after the approval of the Management Board of Management Company Rusnano LLC upon recommendations of investment teams after completing scientific, technical and financial reviews. In certain cases further approval of the Board of Directors of the Company is required.

For the purpose of managing the price risk, investment managers carry out permanent monitoring of the portfolio companies' activities and are regularly in contact with management of the portfolio companies on business and operational matters. The Group is developing an internal control system to better monitor the performance of investments on a regular basis.

21 Financial Risk Management (continued)

Equity price risk (continued)

As at 31 December 2015, the fair value of investments exposed to equity price risk was RUB 88,943 million, (31 December 2014: RUB 72,833 million), the fair value of equity investments with embedded options exposed to equity price risk was RUB 26,235 million (31 December 2014: RUB 24,439 million) but the exposure was limited by the embedded options. Should the market values of these equity instruments, which are not traded in the active market, increase or decrease due to reasonably possible changes in market conditions by 3%, the comprehensive income for the year and equity would increase by RUB 4,278 million or decrease by RUB 3,355 million (2014: reasonably possible changes in market conditions by 3%, the comprehensive income for the year and equity would increase by RUB 3,238 million or decrease by RUB 2,672 million). The estimate of this sensitivity is based on a reasonably possible changes in the discount rate.

Analysis of Group's portfolio to risk exposure presented in table below:

	Risk level as at 31 December 2015			
In million of Russian Roubles	**Low**	**Medium**	**High**	**Total**
Equity investments				
Fair value	8,986	50,113	29,844	88,943
Equity investments with embedded options				
Fair value	1,410	20,234	4,591	26,235
Total equity investments	**10,396**	**70,347**	**34,435**	**115,178**

	Risk level as at 31 December 2014			
In million of Russian Roubles	**Low**	**Medium**	**High**	**Total**
Equity investments				
Fair value	6,293	39,033	27,507	72,833
Equity investments with embedded options				
Fair value	1,925	14,843	7,671	24,439
Total equity investments	**8,218**	**53,876**	**35,178**	**97,272**

***Liquidity risk*.** The liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations and commitments in full as they fall due, or can only do so on terms that are materially disadvantageous. The Group is exposed to daily calls on its available cash resources.

Investments are made from shareholder's contributions and retained earnings of the Group and borrowings secured by the guarantees issued by the Government of the Russian Federation. The majority of investments in financial assets are presented by debt and equity instruments that are not traded in any organised market and may not be liquidated quickly except for the financial assets held for trading.

The Group periodically invests temporary available cash in short-term bank deposits and marketable securities which, under normal market conditions, are readily convertible into cash. Management monitors a rolling forecast of cash and cash equivalents and bank deposits on the basis of the budgeted cash flows to manage the liquidity position of the Group. Management considers the liquidity position to ensure that the Group has sufficient cash to meet operational needs and capital commitments when they fall due. The liquidity portfolio of the Group comprises cash and cash equivalents, bank deposits and financial assets held for trading.

As at 31 December 2015 the Group had available unused credit line in the amount of RUB 11 000 million.

21 Financial Risk Management (continued)

Liquidity risk (continued)

The tables below describe financial assets held for liquidity risk management and financial liabilities as at 31 December 2015 and as at 31 December 2014 analysed by maturity date. Liability amounts by maturity date as disclosed below represent contractual and expected liabilities including expected financing commitments.

In million of Russian Roubles	**Note**	**On demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**More than 5 years**	**Total**
31 December 2015							
Financial assets held for trading	8.4	53	-	410	9,705	-	10,168
Bank deposits	10	16,160	19,060	10,189	-	-	45,409
Cash and cash equivalents	11	16,355	-	-	-	-	16,355
Total financial assets used for liquidity risk management by maturity as at 31 December 2015		**32,568**	**19,060**	**10,599**	**9,705**	**-**	**71,932**
Other financial assets							144,028
Total financial assets as at 31 December 2015							**215,960**
Borrowings	13	(1,772)	(12,717)	(14,462)	(132,644)	(38,759)	(200,354)
Other payables and accrued expenses	14	(223)	-	-	-	-	(223)
Net assets attributable to non-controlling participants of subsidiaries		-	-	(98)	-	-	(98)
Expected equity financing		(2,616)	(2,292)	(7,600)	(16,301)	(1,691)	(30,500)
Expected loan financing		(2,434)	(590)	(258)	(1,358)	-	(4,640)
Total future payments of financial liabilities as at 31 December 2015		**(7,045)**	**(15,599)**	**(22,418)**	**(150,303)**	**(40,450)**	**(235,815)**

In million of Russian Roubles	**Note**	**On demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**More than 5 years**	**Total**
31 December 2014							
Financial assets held for trading	8.4	-	6,933	-	-	-	6,933
Bank deposits	10	13,157	25,967	18,004	-	-	57,128
Cash and cash equivalents	11	6,848	-	-	-	-	6,848
Total financial assets used for liquidity risk management by maturity as at 31 December 2014		**20,005**	**32,900**	**18,004**	**-**	**-**	**70,909**
Other financial assets							115,378
Total financial assets as at 31 December 2014							**186,287**
Borrowings	13	(1,592)	(11,236)	(18,044)	(127,263)	(13,826)	(171,961)
Other payables and accrued expenses	14	(583)	-	-	-	-	(583)
Net assets attributable to non-controlling participants of subsidiaries		-	-	(258)	-	-	(258)
Expected equity financing		(1,032)	(13,356)	(1,101)	(11,208)	-	(26,697)
Expected loan financing		(522)	(2,720)	(216)	(280)	-	(3,738)
Commitment for XFEL Laser		-	(1,651)	(1,651)	(2,600)	-	(5,902)
Total future payments of financial liabilities as at 31 December 2014		**(3,729)**	**(28,963)**	**(21,270)**	**(141,351)**	**(13,826)**	**(209,139)**

22 Management of Capital

The capital of the Group is represented by equity attributable to its sole shareholder - the Russian Federation (Note 1).

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to implement the policy of the Russian Federation in respect of nanotechnology and maintain and enhance an optimal capital base to support the development of nanoindustry in Russia and the Group's investment activities.

The Group has no externally imposed capital requirements except for minimum share capital requirements set by Russian corporate law. Its financial policy is aimed at maximising equity while securing liquidity and financial stability.

The amount of capital that the Group managed as at 31 December 2015 was RUB 76,901 million (31 December 2014: RUB 59,863 million).

23 Fair Value of Financial Instruments

Fair value is the price that would be received to sell the financial asset in an orderly transaction between market participants at the measurement date, and is best evidenced by an active quoted market price. For fair value estimation, refer to Note 3 for details. As at 31 December 2015 and 2014, the Group has financial assets held for trading which are traded in the active market and have quoted prices.

Financial assets carried at fair value. All financial assets other than traded on active markets are valued using valuation techniques that require significant inputs which are not observable in the financial markets (Level 3 fair value measurement hierarchy). At initial recognition of financial assets the valuation technique is calibrated to ensure that it reflects current market conditions evidenced by transaction price and other factors to be taken into consideration.

Equity investments, equity instruments with embedded options and loans receivable as at 31 December 2015 and 31 December 2014 amounting to RUB 138,248 million and RUB 112,517 million, respectively, are designated at fair value through profit or loss at inception and disclosed in Notes 8 and 21.

No active market exists for most of these financial instruments. If no active market exists the Group's management determined the fair value of financial instruments using valuation models and discounted cash flows. Inputs to these valuation models require judgement considering the factors specific to the future business plans of the underlying portfolio companies, their assets and liabilities and the impact on the fair value measurement in its entirety. The Group's valuation models for equity instruments and equity instruments with embedded options are the present value of the estimated future cash flows based on the discounted cash flows model for portfolio companies. The Group's valuation model for loans receivable is based on the net present value of future cash flows relating to a loan using individual discount rates for each loan that are within the range of 12-16% p.a. (2014: within the range of 12-16% p.a.). Management determined the discount rate for the loans receivable, based on comparable loan interest rates, available to companies with a similar risk profile on the Russian market from third party banks.

Financial assets held for trading amounting to RUB 10,168 million (31 December 2014: RUB 6,933 million) are disclosed in Notes 8 and 21. These financial assets are valued using quoted prices in the active markets for identical assets (Level 1 fair value measurement).

23 Fair Value of Financial Instruments (continued)

Financial assets carried at fair value (continued)

The following table shows the movements of the financial instruments for the year ended 31 December 2015 and 31 December 2014 by the class of financial instruments and the Level of fair value measurement hierarchy:

	Level 1		Level 3			Total
In million of Russian Roubles	Financial assets held for trading	Equity investments	Equity investments	Equity instruments with embedded options	Loans	
1 January 2014	**3,305**	**1,886**	**47,442**	**19,355**	**14,025**	**86,013**
Purchases	2,944	238	7,257	7,917	-	18,356
Loans origination	-	-	-	-	8,298	8,298
Conversion of loans into equity instruments	-	-	3,527	390	(3,917)	-
Gains/(losses) recognised in profit or loss for the year	(634)	(1,339)	4,107	(1,165)	(489)	480
Gains recognised in other comprehensive income for the year	2,425	987	9,174	-	-	12,586
Disposals	(1,107)	-	(2,490)	(14)	(2,672)	(6,283)
Reclassification	-	1,513	531	(2,044)	-	-
31 December 2014	**6,933**	**3,285**	**69,548**	**24,439**	**15,245**	**119,450**
Purchases	1,593	-	6,665	4,788	-	13,046
Loans origination	-	-	-	-	4,328	4,328
Conversion of loans into equity instruments	-	-	559	180	(739)	-
Gains/(losses) recognised in profit or loss for the year	1,496	1,867	188	3,471	3,324	10,346
Gains recognised in other comprehensive income for the year	1,878	509	7,425	-	35	9,847
Disposals	(1,732)	-	(1,607)	(1,824)	(3,438)	(8,601)
Reclassification	-	-	504	(4,819)	4,315	-
31 December 2015	**10,168**	**5,661**	**83,282**	**26,235**	**23,070**	**148,416**

There were transfers from Level 3 to Level 1 fair value measurement hierarchy for the several investments as the equity instruments of the investee had been started to be traded within stock exchange during the year ended 31 December 2015 and 2014 and their market quotations were available as at 31 December 2015 and 31 December 2014.

The sensitivity to valuation assumptions disclosed in Note 21 shows how much the fair value could increase or decrease had management used reasonably possible alternative valuation assumptions that are not based on observable market data.

Financial assets carried at amortised cost. The carrying amounts of each class of financial instruments included in other receivables and prepayments approximate there fair values. Cash and bank deposits are carried at amortised cost, which approximates current fair value. Refer to Notes 4, 9, 10 and 11 for details.

Financial liabilities carried at amortised cost. The carrying amounts of each class of financial instruments included in the borrowings and other payables and accrued expenses approximate fair values. Refer to Notes 4, 13 and 14 for details.

24 Presentation of Financial Instruments by Category

For the purposes of measurement under IAS 39, *Financial Instruments: Recognition and Measurement*, the Group classifies financial assets into the following categories: (a) loans and receivables and (b) financial assets measured at fair value through profit or loss.

The following table provides a reconciliation of financial assets with those measurement categories as at 31 December 2015:

In million of Russian Roubles	**Note**	**Loans and receivables**	**Assets designated at fair value through profit or loss**	**Assets held for trading**	**Total**
Assets					
Cash and cash equivalents					
- Cash at bank	11	16,355	-	-	16,355
Bank deposits	10	45,409	-	-	45,409
Financial assets at fair value through profit or loss					
- Equity instruments	8	-	88,943	-	88,943
- Equity instruments with embedded options	8	-	26,235	-	26,235
- Loans to the portfolio companies	8	-	23,070	-	23,070
- Financial assets held for trading	8	-	-	10,168	10,168
Other receivables and prepayments	9	5,780	-	-	5,780
TOTAL FINANCIAL ASSETS		**67,544**	**138,248**	**10,168**	**215,960**

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2014:

In million of Russian Roubles	**Note**	**Loans and receivables**	**Assets designated at fair value through profit or loss**	**Assets held for trading**	**Total**
Assets					
Cash and cash equivalents					
- Cash at bank	11	6,848	-	-	6,848
Bank deposits	10	57,128	-	-	57,128
Financial assets at fair value through profit or loss					
- Equity instruments	8	-	72,833	-	72,833
- Equity instruments with embedded options	8	-	24,439	-	24,439
- Loans to the portfolio companies	8	-	15,245	-	15,245
- Financial assets held for trading	8	-	-	6,933	6,933
Other receivables and prepayments	9	2,861	-	-	2,861
TOTAL FINANCIAL ASSETS		**66,837**	**112,517**	**6,933**	**186,287**

All financial liabilities of the Group are carried at amortised cost.

25 Events after the Reporting Period

Subsequent to 31 December 2015 and through the date of issue of these consolidated financial statements, the Group provided additional equity investments to portfolio companies and funds totaling RUB 420 million and debt financing totaling RUB 451 million.

Subsequent to 31 December 2015 and through the date of issue of these consolidated financial statements, the Group received RUB 51 million proceeds from for realized equity investments and received RUB 2 million as loans issued to portfolio companies repayment.

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