RUSNANO Group

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2014

Contents

Совершенствуя бизнес,
улучшаем мир

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Independent auditors' report

To the Shareholder of OJSC RUSNANO

We have audited the accompanying consolidated financial statements of OJSC RUSNANO and its subsidiaries (further, "the Group"), which comprise the consolidated statement of financial position as of 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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.

Auditor's responsibility

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

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

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Opinion

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

Ernst & Young LLC

19 March 2015
Moscow, Russia

In millions of Russian Roubles	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Equity instruments at fair value through profit or loss	8	95,038	68,683
Investments in associate	7	1,596	1,564
Loans receivable at fair value through profit or loss	8	12,780	10,276
Deferred tax assets	18	115	14
Other receivables and prepayments	9	231	175
Property, plant and equipment	6	3,396	3,783
Other non-current assets		86	97
Total non-current assets		**113,242**	**84,592**
Current assets			
Equity instruments at fair value through profit or loss	8	2,234	-
Financial assets held for trading	8	6,933	3,305
Loans receivable at fair value through profit or loss	8	2,465	3,749
Other receivables and prepayments	9	2,856	3,247
Income tax prepayments		111	16
Bank deposits	10	57,128	71,582
Cash and cash equivalents	11	6,848	6,978
Other current assets		181	226
Total current assets		**78,756**	**89,103**
TOTAL ASSETS		**191,998**	**173,695**
EQUITY			
Share capital	12, 22	53,742	53,742
Currency translation reserve	12	18,330	1,756
Accumulated loss		(12,209)	(3,795)
TOTAL EQUITY		**59,863**	**51,703**
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	18	222	102
Long-term borrowings	13	111,433	113,091
Total non-current liabilities		**111,655**	**113,193**
Current liabilities			
Net assets attributable to non-controlling participants of subsidiaries		258	274
Current portion of long-term borrowings	13	18,592	7,249
Other payables and accrued expenses	14	1,630	1,276
Total current liabilities		**20,480**	**8,799**
TOTAL LIABILITIES		**132,135**	**121,992**
TOTAL EQUITY AND LIABILITIES		**191,998**	**173,695**

Approved for issue and signed on 19 March 2015.

Открытое акционерное общество «РОСНАНО» Российская Федерация 117036, Москва, пр-т 60-летия Октября, д. 10А ОГРН 1117799004333 МОСКВА
ОАО «РОСНАНО»

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

Evseenkov Oleg Vladimirovich
Finance Director
of Management Company "RUSNANO" LLC

In millions of Russian Roubles	**Note**	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
Income			
Interest income	15	6,300	5,614
Other operating income		487	247
Total income		**6,787**	**5,861**
Operating expenses	16	**(5,572)**	**(5,530)**
Net income/(loss) on financial assets at fair value through profit or loss	17	480	(29,393)
Foreign currency exchange gains		1,859	177
Interest expenses		(11,699)	(10,980)
Loss before income tax		**(8,145)**	**(39,865)**
Income tax	18	(269)	(33)
LOSS FOR THE YEAR		**(8,414)**	**(39,898)**
Other comprehensive income (items that may be reclassified subsequently to profit or loss)			
Foreign currency translation differences, net of tax	12	16,574	1,897
Other comprehensive income for the year		**16,574**	**1,897**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**8,160**	**(38,001)**

In millions of Russian Roubles	**Note**	**Share capital**	**Retained earnings/ (Accumulated loss)**	**Currency translation reserve**	**Total equity**
As at 1 January 2013		**53,742**	**35,932**	**(141)**	**89,533**
Comprehensive income					
Loss for the year		-	(39,898)	-	(39,898)
Other comprehensive income	12	-	-	1,897	1,897
Total comprehensive loss for the year		**-**	**(39,898)**	**1,897**	**(38,001)**
Other operations		-	171	**-**	171
As at 31 December 2013		**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**

In millions of Russian Roubles	Note	For the year ended 31 December 2014	For the year ended 31 December 2013
Cash flows from operating activities			
Proceeds from sale of equity instruments at fair value through profit or loss		2,633	5,556
Acquisition of equity instruments at fair value through profit or loss		(15,512)	(10,803)
Repayment of loans issued	23	2,672	7,774
Loans issued	23	(8,298)	(1,711)
Proceeds from sale of financial assets held for trading		1,107	350
Acquisition of financial assets held for trading	23	(2,944)	(1,699)
Interest income received		5,233	6,080
Operating payments		(4,367)	(4,049)
Interest paid		(11,339)	(10,746)
Income taxes paid		(275)	-
Other receipts		718	114
Other payments		-	(6,765)
Net cash used in operating activities		**(30,372)**	**(15,899)**
Cash flows from investing activities			
Receipts of cash from deposit accounts		173,894	177,648
Placement of cash on deposit accounts		(153,994)	(174,138)
Acquisition of property, plant and equipment		(92)	(100)
Acquisition of other non-current assets		(30)	(18)
Net cash from investing activities		**19,778**	**3,392**
Cash flows from financing activities			
Proceeds from loans and borrowings		15,208	14,790
Repayment of loans and borrowings		(5,877)	(1,984)
Net cash provided from financing activities		**9,331**	**12,806**
Net (decrease) / increase in cash and cash equivalents		**(1,263)**	**299**
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		**1,133**	**(139)**
Cash and cash equivalents at the beginning of the year	11	**6,978**	**6,818**
Cash and cash equivalents at the end of the year	11	**6,848**	**6,978**

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 2014 for the Open Joint-Stock Company RUSNANO (OJSC 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 (Note 20).

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 agreement.

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 2014 and 2013 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.

In 2014, the Russian economy was 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. In December 2014, the Rouble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17%.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 2014 and 2013 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 borrowers on the Russian market.

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 assets and financial liabilities 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. Due to significant deterioration of fair value of investments in 2013 the Group has accumulated losses of RUB 12,209 millions as at 31 December 2014 (2013: RUB 3,795 millions). Taking into account the positive total equity of the Group as at 31 December 2014 of RUB 59,863 (2013: RUB 51,703 millions) 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.

3 Summary of Significant Accounting Policies (continued)

Starting 2014 the Group changed presentation of cash flows from operating activities within Consolidated Statement of Cash Flows from indirect to direct method. The Group management believes that the direct method of presentation provides reliable and more relevant information about cash flows of the Group to the users of consolidated financial statements. The comparative amounts for the year ended 31 December 2013 were represented to be in conformity with current year presentation. These changes relate to presentation only and do not affect the Group's financial position or performance.

Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and its consolidated subsidiaries for the year ended 31 December 2014.

(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.

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, irrespective of the extent of any non-controlling interest.

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.

Consolidated subsidiaries with the Group's ownership of less than 100% are limited liability companies (LLCs). According to the Russian legislation, a participant in LLC has the right to withdraw from the LLC at any time and to require payment for its share in the cost of net assets of the company determined with regard to the statutory accounts of LLC as at 31 December of the year prior to withdrawal. The LLC is obliged to pay to the participant its share within three months after the participant declared about exit.

Thus, according to IAS 32 "Financial Instruments: Disclosure and Presentation" and IFRIC Interpretation 2 "Members' Shares in Co-operative Entities and Similar Instruments", the part of the net results and of the equity of subsidiaries determined in accordance with IFRS attributable to interests which are not owned, directly or indirectly, by the Company are classified as net assets attributable to the non-controlling participants of consolidated subsidiaries and form a separate component of the Group's current liabilities.

(b) Associates and joint ventures

Associates are entities over which the Company 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 policies. 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 (project companies) are held and managed on an investment portfolio basis are classified as financial instruments at fair value through profit or loss.

3 Summary of Significant Accounting Policies (continued)

Consolidated financial statements (continued)

(b) Associates and joint ventures (continued)

Exception comprises investments in associates and jointly controlled entities that are held to coordinate the innovation activity of the Group in the field of nano-industry. These investments are accounted for using the equity method of accounting and are initially recognised at cost. The post-acquisition changes in the Group's share of net assets of such associates are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of the result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately. 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 2014

In 2014 the Group adopted all standards and interpretations that became effective as at 1 January 2014 other than those early adopted in 2012. In 2012 the Group early adopted the Investment Entities amendments to IFRS 10, IFRS 12 and IAS 27 which are effective 1 January 2014.

IFRIC 21 Levies sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The implementation of this IFRIC do not have material effect on the Group's financial position or performance.

IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments). These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments do not have material effect on the Group's financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments). These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as hedging instrument meets certain criteria. These amendments do not affect the Group's financial statements.

A number of **Improvements to International Financial Reporting Standards**. The improvements include amendment to IFRS 13 which clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The improvements do not affect the Group's financial statements.

(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 2015 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.

IFRS 9 Financial Instruments. In July 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.

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 (continued)

IFRS 15 Revenue from Contracts with Customers. IFRS 15 was issued in May 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 2017 with early adoption permitted. The Group is currently assessing impact of IFRS 15 on its consolidated financial statements.

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. This amendment is effective for annual periods beginning on or after 1 July 2014. The amendment is not expected to have material effect on the Group's financial position or performance.

IFRS 11 Joint arrangements: Accounting for Acquisition of Interests (Amendments). The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in joint operations, in which the activity of the joints operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments are not expected to have material effect on the Group's financial position or performance.

IAS 16 and IAS 38 Clarification of acceptable Methods of Depreciation and Amortisation (Amendments). The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method can not be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The amendments are not expected to 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 (continued)

Improvements to International Financial Reporting Standards. As a result of Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle, the IASB issued a number of amendments to:
- IFRS 2 *Share-Based Payment* (definition of vesting condition);
- IFRS 3 *Business Combinations* (accounting for contingent consideration, scope exceptions for joint ventures);
- IFRS 8 *Operating Segments* (aggregation of operating segments, reconciliation of total assets);
- IFRS 13 *Fair Value Measurement* (portfolio exception for contracts within scope IFRS 9 or IAS 39 other than financial assets and financial liabilities);
- IAS 16 *Property, Plant and Equipment* (revaluation method, proportionate restatement of accumulated depreciation);
- IAS 24 *Related Party Disclosures* (management entity);
- IAS 38 *Intangible Assets* (revaluation method, proportionate restatement of accumulated amortisation);
- IAS 40 *Investment Property* (clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property).

These amendments result in relatively insignificant changes in implementation of the valid standards. They are effective for annual periods beginning on or after 1 July 2015. They are not expected to have material effect on the Group's financial position or performance,

There are no other IFRSs or IFRIC interpretations that would be expected to affect the financial statements of the Group.

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 (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary 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 non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

3 Summary of Significant Accounting Policies (continued)

Foreign currency translation (continued)

The results and financial position 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 2014, the principal rate of exchange used for translating foreign currency balances was USD 1 = RUB 56.2584 (2013: USD 1 = RUB 32.7292); EURO 1 = RUB 68.3427 (2013: EURO 1 = RUB 44.9699); CHF 1 = RUB 56.9763 (2013: CHF 1 = RUB 36.6960).

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 project companies and shares in closed-end investment funds of high risk (venture).

Investment managers of the Group are required to evaluate the performance of the financial assets and liabilities 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.

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.

3 Summary of Significant Accounting Policies (continued)

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

(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 project 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 the 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 project 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 project companies operate, adjusted with other factors, such as the investment stage period, liquidity, and credit and market risk factors.

Cash flows used in the discounted cash flows model are based on the projected cash flows or earnings of the project companies. In determining fair valuation, the Group in many instances relies on the financial data of the project companies and on estimates by the management of the project 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 is the share of net assets of each particular fund attributable 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 Company believes that the interest rates for loans receivable issued in 2014 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 changes recognised 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.

3 Summary of Significant Accounting Policies (continued)

Financial assets carried at amortised cost (continued)

(a) Bank deposits (continued)

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.

(b) Cash and cash equivalents

Cash and cash equivalents include cash in hand and on bank on-demand 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 see 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.

3 Summary of Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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.

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 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, net of tax, 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Trade and other payables

Trade 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, or when it is probable that an outflow of resources embodying 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.

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

Investment entity

OJSC RUSNANO meets the definition of an investment entity. Management of the Company considered incorporation documents of the Company, public information about the Company presented for the external users and local legislation applicable to the Company's transactions and activities and decided that the Company meets the definition of an investment entity per 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;
(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 2014 and 31 December 2013 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. 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 project companies not quoted in the active market at initial recognition is 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 project 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 project 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 project 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 project 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 analysis of the reasonably possible changes in the discount rate 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 2013 are within the range of 12-16% per annum (2013: 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 project companies.

The sensitivity of the factors impacting the fair value estimation for the market interest rate is presented in Note 21.

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.

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.

Government-related entities

In the normal course of business, the Group enters into multiple transactions with state-related 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.

5 Balances and Transactions with Related Parties (continued)

Government-related entities (continued)

	31 December 2014		31 December 2013	
In millions of Russian Roubles	**Russian Government**	**State-owned entities**	**Russian Government**	**State-owned entities**
Assets				
Other receivables	1,976	15	2,234	226
Bank deposits – short term	-	9,770	-	29,115
Cash and cash equivalents	-	2,457	-	6,001
Liabilities and commitments				
Borrowings	-	66,430	-	56,951
Other payables and accrued expenses	-	232	-	220
Capital commitments	5,902		4,228	-
Income				
Interest income	-	893	-	583
Expenses				
Finance costs	-	5,811	-	4,999

Contractual interest rates of borrowings as at 31 December 2014 and 31 December 2013 were 2.5%-10.98% p.a. and 2.5%-10.98% p.a., respectively. Contractual interest rates of RUB denominated deposits as at 31 December 2014 and 31 December 2013 were 11.91%-23.62% p.a. and 5.03%-7.80% p.a., respectively. Contractual interest rates of deposits denominated in other currency as at 31 December 2014 and 31 December 2013 were 1.70%-3.80% p.a. and 0.10%-4.50% p.a., respectively.

Project 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 project companies are disclosed in Note 19.

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

In millions of Russian Roubles	**31 December 2014**	**31 December 2013**
Equity instruments at fair value	2,326	5,810
Loans receivable at fair value (contractual interest rate: 13% – 16% p.a.)	568	950
Equity investments with embedded options	11	-
Capital commitments	95	2,014

During the year ended 31 December 2014 and 2013 the Group did not have any material transactions with its project companies other than investments.

Key management personnel

Key management personnel of the Group in 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 (2013: the Board of Directors of the Company and the Management Board of the Company).

The remuneration of the key management personnel of the Group comprises salaries and short-term bonuses amounting to RUB 111 million (2013: RUB 153 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 2014 the Group do not have the outstanding salary or short-term bonuses liabilities to key management personnel (31 December 2013: nil).

In addition to the information in the note above, related party commitments are disclosed in Note 19.

6 Property, Plant and Equipment

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

In millions of Russian Roubles	**Building**	**Computer and office equipment**	**Other**	**Total**
Cost as at 1 January 2013	3,256	2,693	14	5,963
Accumulated depreciation	(235)	(1,380)	(13)	(1,628)
Carrying amount as at 1 January 2013	**3,021**	**1,313**	**1**	**4,335**
Additions	-	93	-	93
Disposals at cost	-	(16)	-	(16)
Depreciation charge	(109)	(535)	(1)	(645)
Depreciation on disposal	-	16	-	16
Carrying amount as at 31 December 2013	2,912	871	-	3,783
Cost as at 31 December 2013	3,256	2,770	14	6,040
Accumulated depreciation	(344)	(1,899)	(14)	(2,257)
Carrying amount as at 31 December 2013	**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**

7 Investment in Associate

As at 31 December 2014 and 2013 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 2014 and 2013 and for the years then ended, the summarised financial information of Technopark was as follows:

In millions of Russian Roubles	**2014**	**2013**
Non-current assets	1,836	1,767
Current assets	1,731	1,757
Non-current liabilities	(2)	(88)
Current liabilities	(111)	(51)
Revenue	435	555
Profit	69	73
Total comprehensive income	69	73

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:

In millions of Russian Roubles	**Note**	**31 December 2014 Fair value**	**31 December 2013 Fair value**
Current equity instruments			
Equity instruments		844	-
Equity investments with embedded options		1,390	-
Total current equity instruments at fair value through profit or loss		**2,234**	**-**
Non-current equity instruments			
Equity instruments		71,989	49,328
including shares in investment funds	8.3	*24,905*	*12,719*
Equity investments with embedded options		23,049	19,355
Total non-current equity instruments at fair value through profit or loss		**95,038**	**68,683**
Total equity instruments at fair value through profit or loss	8.1	**97,272**	**68,683**
Current portion of loans receivable		2,465	3,749
Non-current portion of loans receivable		12,780	10,276
Total loans to the project companies	8.2	**15,245**	**14,025**
Financial assets held for trading	8.4	6,933	3,305
Total investments		**119,450**	**86,013**

8.1 Equity investments in project companies

Equity investments of the Group at fair value through profit or loss are represented by the equity investments in the project 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 2014.

8.2 Loans receivable

As part of its operating activity, the Group provides loan financing to its project companies. Loans receivable are 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. (2013: within the range of 12-16% p.a.) (Note 3).

8.3 Shares in investment funds

Shares in investment funds at fair value through profit or loss presented within equity instruments comprise investments in closed-end investment funds of high risk (venture) in the amount of RUB 24,905 million and RUB 12,719 million as at 31 December 2014 and 31 December 2013, 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.

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.

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

8.4 Financial assets held for trading (continued)

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 2014 and 2013:

In millions of Russian Roubles	**31 December 2014**	**31 December 2013**
Neither past due nor impaired		
- A3* rated	245	161
- B1* rated	165	120
- Ba1 to Ba3* rated	1,832	1,431
- Baa1 to Baa3* rated	3,888	1,321
- B+** rated	89	62
- BB+ to BB** rated	714	210
Total financial assets held for trading	**6,933**	**3,305**

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

9 Other Receivables and Prepayments

In millions of Russian Roubles	**31 December 2014**	**31 December 2013**
Reimbursable expenses	1,976	2,234
Other receivables	885	1,031
Total financial assets within other receivables and prepayments	**2,861**	**3,265**
Other prepayments	226	157
Total other receivables and prepayments	**3,087**	**3,422**
Less non-current portion	(231)	(175)
Total other receivables and prepayments – current portion	**2,856**	**3,247**

As at 31 December 2014 and 2013, 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 allowance for impairment of other receivables in the amount of RUB 352 million (2013: RUB 369 million) (Note 16).

Reimbursable expenses comprise a receivable due from the Ministry of Education of the Russian Federation (2013 and formerly: from the Ministry of Finance). In 2014 and 2013 the Company contributed financial resources to a project company, XFEL, established in Hamburg (Germany) of RUB 1,976 million and RUB 2,234 million respectively. In 2014 the Ministry of Finance of the Russian Federation reimbursed in full Company's contribution payments made in 2013. The reimbursement of contributions made by the Company in 2014 is scheduled on 2015 (Note 19).

10 Bank Deposits

In millions of Russian Roubles	**31 December 2014**	**31 December 2013**
Bank deposits	57,128	71,582
including interest receivable	*1,548*	*719*
Total bank deposits	**57,128**	**71,582**

In millions of Russian Roubles	**Rating**	**Currency**	**31 December 2014**	**31 December 2013**
Neither past due nor impaired				
Bank Otkritie (former NOMOS-Bank)	Ba3**	RUB	13,903	18,695
Credit bank of Moscow	B1**	RUB	12,943	-
Promsvyazbank	B1**	RUB	8,283	6
Julius Baer&Co Ltd. Zurich	A1**	EUR	7,044	-
Svyazbank	BB-***	RUB	7,000	-
Sberbank	BBB-*	USD	2,531	-
AK BARS Bank	B1**	RUB	2,030	12,227
Bank Otkritie (former NOMOS-Bank)	Ba3**	USD	1,772	-
Bank of Saint Petersburg	BB-*	RUB	1,033	-
Bank Otkritie (former NOMOS-Bank)	Ba3**	EUR	346	-
Sberbank	BBB- *	RUB	121	308
Rosselkhozbank	BB+*	RUB	-	12,157
VTB Bank	Ba1**	RUB	-	11,529
OJSC Bank Zenit	BB-*	RUB	-	6,082
Gazprombank	BB+*	USD	-	2,357
Bank Vozrozhdenye	B1**	RUB	-	2,031
Julius Baer&Co Ltd. Zurich	A1**	USD	-	2,029
VTB Capital PLC	BBB*	EUR	-	1,619
Vostochniy Express Bank	B*	USD	-	1,359
VTB Capital PLC	BBB*	USD	-	1,146
Other			122	37
Total bank deposits			**57,128**	**71,582**

* - Fitch's;

** - Moody's.

***- Standard&Poor’s

Bank deposits bear an average effective interest rate of 10.64% p.a. (2013: 7.07% p.a.). Their original maturities were less than 12 months (2013: less than 9 months).

11 Cash and Cash Equivalents

In millions of Russian Roubles	**31 December 2014**	**31 December 2013**
Cash at bank payable on demand	6,848	6,978
Total cash and cash equivalents	**6,848**	**6,978**

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 millions of Russian Roubles	**31 December 2014**	**31 December 2013**
Neither past due nor impaired		
- BBB- to BBB+ * / Aaa to A ** rated	2,162	6,105
- BB- to BB+ * / Baa ** rated	4,378	801
- B- to B+ * / Ba, B ** rated	121	18
- Unrated	187	54
Total cash and cash equivalents	**6,848**	**6,978**

* - Fitch's;

** - Moody's.

12 Equity

Share capital

As at 31 December 2014, the share capital of the Company comprises 53,741,700,000 ordinary shares of RUB 1 each (as at 31 December 2013: 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 2014 and 2013.

Distributions

In accordance with Russian legislation, distributions to the shareholders may only be declared by the Company from net profit for the year as reported in the Company's Russian statutory financial statements. For the year ended 31 December 2014, the statutory loss for the Company as reported in its published annual statutory reporting forms was RUB 14,571 million (2013: loss RUB 23,816 million), and the closing balance of the accumulated loss, including the current year net statutory loss, as at 31 December 2014 totalled RUB 9,741 million (2013: accumulated and undistributed profit of RUB 4,830 million).

Currency translation reserve

The Group's consolidated financial statements are presented in Russian Rubles. 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 2014 comprised net gain of RUB 16,574 million (2013: RUB 1,897 million). The currency translation reserve totalled RUB 18,330 million as at 31 December 2014 (RUB 1,756 million as at 31 December 2013).

13 Borrowings

In millions of Russian Roubles	**Currency**	**Effective annual interest rate**	**Due**	**31 December 2014**	**31 December 2013**
Bonds (Series 01-03)	RUB	8.9%	2017	33,034	33,029
Bonds (Series 04-05)	RUB	Consumer price index-100%+2.5%	2019	20,413	20,360
Sberbank	RUB	8.67- 10.98%	2016- 2021	64,975	55,648
Bank of Saint Petersburg	RUB	Refinancing rate of the Russian Central Bank +1.5%-3%	2015-2019	10,000	10,000
Other	RUB	9.24-11.59%	2015-2019	1,603	1,303
Total borrowings				**130,025**	**120,340**
Less					
Current portion of long-term borrowings				**(18,592)**	**(7,249)**
Total long-term borrowings				**111,433**	**113,091**

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.

The carrying value of bonds includes transaction costs that are directly attributable to the issue of bonds in the amount of RUB 27 million (2013: RUB 34 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 267 million (2013: RUB 316 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 millions of Russian Roubles	**31 December 2014**	**31 December 2013**
Accrued liabilities and other creditors	450	409
Payables to suppliers	133	108
Payables under financial guarantee	-	34
Total financial liabilities within other payables and accrued expenses	**583**	**551**
Accrued employee benefit costs	819	650
Income tax payable	81	3
Other taxes payable	147	72
Total other payables and accrued expenses	**1,630**	**1,276**

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 millions of Russian Roubles	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
Interest income on short-term banks deposits	5,948	5,220
Interest income on cash and cash equivalents	352	394
Total interest income	**6,300**	**5,614**

16 Operating Expenses

In millions of Russian Roubles	**Note**	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
Payroll expense		2,370	2,760
Taxes, other than income tax		642	118
Depreciation	6	473	645
Consulting services		367	324
Allowance for impairment of other receivables		352	369
Security		168	199
Office maintenance		165	234
Project expertise		103	101
Car rent		91	89
Legal services		90	26
Business trips and entertainment		85	89
Equipment support and telecommunication		64	97
Amortisation		41	65
Advertising expenses		35	20
Other expenses		526	394
Total operating expenses		**5,572**	**5,530**

Payroll expense includes social security contributions for the Group employees in 2014 of RUB 376 million (2013: RUB 351 million).

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

In millions of Russian Roubles	**Note**	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
Change in fair value of equity instruments	23	2,768	(18,480)
Change in fair value of equity investments with embedded options	23	(1,165)	(7,752)
Change in fair value of loans to the project companies	23	(489)	(3,225)
Change in fair value of financial assets held for trading	23	(634)	64
Net loss on financial assets at fair value through profit or loss		**480**	**(29,393)**

In 2014 changes in the fair value of debt instruments attributable to change in credit risk amounted to RUB 3,435 million (2013: RUB 2,514 million). The remaining change in the fair value is attributable to other market risk factors. In 2014, there were no changes in market interest rates used as discount rates in determinig the fair value of loans receivable held by the Group (2013: no changes).

Interest income on debt financial instruments designated at fair value through profit or loss included in change in fair value of loans to the project companies amounted to RUB 2,974 million (2013: RUB 3,808 million).

18 Income Taxes

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

In millions of Russian Roubles	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
Current income tax expense	245	1
Deferred tax expense	24	32
Income tax expense for the year	**269**	**33**

The income tax rate applicable to the majority of the Group's 2014 income is 20% (2013: 20%). Reconciliation between the expected and the actual taxation charge is provided below:

In millions of Russian Roubles	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
Loss before tax	**(8,145)**	**(39,865)**
Theoretical tax credit at the statutory rate of 20%	(1,629)	(7,973)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Other non-deductible expenses (Rusnano)	193	374
- Other non-assessable incomes (Rusnano Capital)	(66)	(93)
Unrecognised deferred tax asset	1,771	7,725
Income tax expense for the year	**269**	**33**

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% (2013: 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 millions of Russian Roubles	31 December 2013	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)**

The tax effect of the movements in relation to the temporary differences for the year ended 31 December 2013 are the following:

In millions of Russian Roubles	31 December 2012	Recognized in statement of comprehensive income	Recognized in equity	31 December 2013
Tax effect of deductible/ (taxable) temporary differences				
Fair value adjustments to loans receivable	(324)	3,214	-	2,890
Fair value adjustments to investments	2,922	4,457	-	7,379
Borrowings	(57)	(73)	(43)	(173)
Other payables and accrued expenses	683	(533)	-	150
Tax loss carried forward	1,008	628	-	1,636
Unrecognized deferred tax asset	(4,245)	(7,725)	-	(11,970)
Net recognized deferred tax liability	**(13)**	**(32)**	**(43)**	**(88)**

Unrecognized deferred tax assets as at 31 December 2014 include those related to tax loss carried forward in the amount of RUB 2,615 million (31 December 2013: RUB 1,636 million). According to the RF legislation, tax loss carried forward expires within ten-year period from the origination in 2021-2024.

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 contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Under new pronouncements of tax legislation retained profits of foreign companies and non-corporate structures controlled by Russian tax residents (companies and individuals) may be subject to Russian taxation. Russian taxpayers (controlling parties) must inform the tax authorities of the foreign companies controlled by them, while the tax authorities may impose additional tax liabilities to the taxpayers failing to include retained profit of the foreign controlled companies in their taxable base, where necessary.

19 Contingencies and Commitments (continued)

Tax contingencies (continued)

The Group includes companies incorporated outside of Russia. In 2014 and 2013 the tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian income tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Russian transfer pricing legislation, which came into force on 1 January 2012, allows the tax Russian authority to apply transfer pricing adjustments and impose additional income tax liabilities in respect transactions identified as “controlled” in accordance with criteria provided by legislation if the transaction price differs from the market level of prices. The current Russian transfer pricing rules have considerably increased the compliance burden for the taxpayers compared to the transfer pricing rules which were in effect before 2012 due to, inter alia, shifting the burden of proof from the Russian tax authorities to the taxpayers. These rules are applicable not only to the transactions taking place in 2014 and 2013 but also to the prior transactions with related parties if related income and expenses were recognized in 2014 and 2013. Special transfer pricing rules apply to transactions with securities and derivatives.

The Group determined its tax liabilities arising from “controlled” transactions using actual transaction prices or making appropriate transfer pricing adjustments, if required. Due to the uncertainty and absence of current practice of application of the current Russian transfer pricing legislation the Russian tax authorities may challenge the level of prices applied by the Group under the “controlled” transactions and assess additional tax liabilities unless the Group is able to demonstrate the use of market prices with respect to the “controlled” transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate transfer pricing documentation. As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Capital commitments for further investment. As at 31 December 2014, the Group has contractual and constructive commitments to invest in the share capital of project companies totaling RUB 26,697 million (31 December 2013: RUB 10,328 million) and debt financing commitments totaling RUB 3,738 million (31 December 2013: RUB 2,450 million).

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 2014, the Company is obliged to contribute financing to the project company XFEL established in Hamburg (Germany) of RUB 5,902 million in 2015-2016 (2013: RUB 4,228 million). During the reporting period, the Company contributed RUB 2,173 million to XFEL (2013: RUB 2,234 million). The Government of the Russian Federation will reimburse the expenditures incurred by the Company concerning this project.

The Group believes that future net income, financial assets including bank deposits, available funding from banks and other external sources will be sufficient to cover these commitments.

As at 31 December 2014 and 2013, the Group has no other material contractual capital expenditure commitments.

20 Principal Subsidiaries

The principal consolidated subsidiaries of the Company as at 31 December 2014 and 2013:

Name	Country of registration	Primary activities	Percentage of ownership 31 December 2014	Percentage of ownership 31 December 2013
Management Company RUSNANO LLC	Russian Federation	Management company	99%	99%
RUSNANO Capital AG	Switzerland	Investment entity	100%	100%
Fonds Rusnano Capital S.A.	Luxembourg	Investment entity	100%	100%
RusnanoMedInvest LLC	Russian Federation	Investment entity	99.9%	99.9%
Rusnano-Inform OJSC	Russian Federation	IT services	100%	100%
Metrological center Rusnano OJSC	Russian Federation	Infrastructure activities	100%	100%
SIGMA.Innovations LLC	Russian Federation	Infrastructure activities	75%	75%
SIGMA.Novosibirsk LLC	Russian Federation	Infrastructure activities	90%	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 2014 and 2013.

In 2013, the Company established Management Company Rusnano LLC and contributed RUB 1 million in its capital.

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

	Country of incorporation	% of ownership
Liotech LLC	Russia	86.27
Microbor Nanotech LLC	Russia	100.00
OtriTech LLC	Russia	53.13
RM Nanotech CJSC	Russia	73.32
Optogan CJSC	Russia	51.80
Rusalox LLC	Russia	80.70
Advenira Enterprises, Inc.	USA	61.30

As at 31 December 2013 the following subsidiaries were not consolidated and accounted at fair value through profit or loss:

	Country of incorporation	% of ownership
Liotech LLC	Russia	86.27
Microbor Nanotech LLC	Russia	100.00
Galileo Nanotech CJSC	Russia	48.80
OtriTech LLC	Russia	53.13
RM Nanotech CJSC	Russia	70.00
Optogan CJSC	Russia	51.80
Rusalox LLC	Russia	59.43
Advenira Enterprises, Inc.	USA	61.30

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.

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 millions of Russian Roubles	**Note**	**31 December 2014**	**31 December 2013**
Equity instruments with embedded put options	8	24,439	19,355
Loans receivable	8	15,245	14,025
Financial assets held for trading	8	6,933	3,305
Financial assets within other receivables and prepayments	9	2,861	3,265
Bank deposits	10	57,128	71,582
Cash and cash equivalents	11	6,848	6,978
Total on-balance sheet exposure		**113,454**	**118,510**
Commitments for equity instruments with embedded put options	19	4,430	2,700
Loan commitments	19	3,738	2,450
Commitment to finance XFEL Laser project	19	5,902	4,228
Total maximum exposure to credit risk		**127,524**	**127,888**

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

OJSC RUSNANO provides financial resources to project 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 OJSC RUSNANO. Generally, OJSC RUSNANO provides financial resources only if it has an equity investment in a project company to facilitate influence over implementation of the project. It is preferrable to grant the loan in tranches according to approved milestones.

OJSC RUSNANO makes the decision to participate in a project after assessing the project 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 project 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.

OJSC RUSNANO issues loans to high risk project 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 millions of Russian Roubles	**31 December 2014**	**31 December 2013**
Low	1,100	917
Medium	3,907	2,849
High	10,238	10,259
Total loans receivable	**15,245**	**14,025**

OJSC RUSNANO 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 OJSC 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 millions of Russian Roubles	**31 December 2014**	**31 December 2013**
Collateralised assets:		
Equity instruments with embedded options	4,795	4,677
Loans	8,242	4,596
Total collateralised assets	**13,037**	**9,273**
Unsecured exposures:		
Equity instruments with embedded options	19,644	14,678
Loans	7,003	9,429
Total unsecured exposures	**26,647**	**24,107**
Total loans and equity instruments with embedded options	**39,684**	**33,380**

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 millions 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 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**
As at 31 December 2013				
Equity instruments with embedded options	3,474	3,956	15,881	1,203
Loans	2,371	4,791	11,654	2,225
Total as at 31 December 2013	**5,845**	**8,747**	**27,535**	**3,428**

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. The Group has cash and cash equivalents at 13 banks (2013: 15 banks) and bank deposits at 9 banks (2013: 14 banks). The financial instruments of the Group exposed to credit risk are also placed in 49 project companies (2013: 42 project companies).

Market risk. RUSNANO 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 entities holds assets denominated in currencies other than the functional currency (the Russian Rouble) wherefore the Group is exposed to 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 millions of Russian Roubles	**31 December 2014**			**31 December 2013**		
	Euro-denominated	**USD-denominated**	**CHF-denominated**	**Euro-denominated**	**USD-denominated**	**CHF-denominated**
Assets	7,919	6,441	1	1,767	7,181	5
Liabilities	(160)	(19)	(10)	(51)	(1)	(10)
Net exposure	**7,759**	**6,422**	**(9)**	**1,716**	**7,180**	**(5)**

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 millions of Russian Roubles	**31 December 2014**			**31 December 2013**		
	Reasonably possible change in exchange rates (%)	**Impact on comprehensive income and equity**		**Reasonably possible change in exchange rates (%)**	**Impact on comprehensive income and equity**	
		Increase	**(Decrease)**		**Increase**	**(Decrease)**
Euro	23.0	1,785	(1,785)	8.76	150	(150)
USD	33.0	2,119	(2,119)	10.62	763	(763)
CHF	12.0	(1)	1	12.00	(1)	1
Total for assets denominated in foreign currencies		**3,903**	**(3,903)**		**912**	**(912)**

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 intrest rates and, in case of economic feasibility, is prepared to take measures relating to decrease of exposure to interst rate risk (optimisationf 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 2014, the Group's interest risk arises from the possible changes in the level or volatility of the market interest rates available on the Russian market.

As at 31 December 2014 and 2013 the Gropup 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 profit for the year and equity as at 31 December 2014 and 31 December 2013 to a reasonably possible change in interest rates with all other variables held constant.

	31 December 2014			31 December 2013		
	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 millions of Russian Roubles		Increase	(Decrease)		Increase	(Decrease)
Equity investments with embedded options	+3 / -3	(991)	1,136	+3 / -3	(754)	843
Loans receivable	+3 / -3	(450)	491	+3 / -3	(815)	1,570
Financial assets held for trading	+0.65 / -0.65	(160)	160	+0.76 / -0.76	(119)	119
Borrowings	+3 / -3	(898)	898	+3 / -3	(750)	750
Total		**(2,499)**	**2,685**		**(2,438)**	**3,282**

Changes in the market interest rates do not affect equity apart from their effect shown above.

The Group monitors the interest rate of its financial instruments. Effective interest rates are presented in the table below:

	2014			2013		
	Russian Rouble	Euro	USD	Russian Rouble	Euro	USD
Bank deposits	12.0%	6.85%	3.26%	7.73%	4.50%	1.70%
Loans receivable	11.14%	-	-	13.64%	-	-
Borrowings	9.34%	-	-	9.32%	-	-

Equity price risk. The Group's investments in project 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.

21 Financial Risk Management (continued)

Equity price risk (continued)

For the purpose of managing the price risk, investment managers carry out quarterly monitoring of the project companies' activities and are regularly in contact with management of the project 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.

As at 31 December 2014, the fair value of investments exposed to equity price risk was RUB 72,833 million, (31 December 2013: RUB 49,328 million), the fair value of equity investments with embedded options exposed to equity price risk was RUB 24,439 million (31 December 2013: RUB 10,454 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 3,448 million or decrease by RUB 2,672 million (2013: reasonably possible changes in market conditions by 3%, the comprehensive income for the year and equity would increase by RUB 1,650 million or decrease by RUB 305 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 2014			
In millions 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**

	Risk level as at 31 December 2013			
In millions of Russian Roubles	**Low**	**Medium**	**High**	**Total**
Equity investments				
Fair value	5,573	26,002	17,753	49,328
Equity investments with embedded options				
Fair value	5,665	3,009	1,780	10,454
Total equity investments	**11,238**	**29,011**	**19,533**	**59,782**

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 income and expenses 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 porfolio of the Group comprises cash and cash equivalents, bank deposits and financial assets held for trading.

21 Financial Risk Management (continued)

Liquidity risk (continued)

The tables below gives financial assets held for liquidity risk management and financial liabilities as at 31 December 2014 and as at 31 December 2013 analysed by maturity. The amounts included in the tables by maturity represent contractual amounts without regard to discounting, including financial guarantee and investment commitments. These undiscounted cash flows may differ from the amounts included in the consolidated statement of financial position, as the latter are based on discounted cash flows.

In millions 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 by maturity as at 31 December 2014		**20,005**	**32,900**	**18,004**	**-**	**-**	**70,909**
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)
Commitments for equity instruments	19	(1,032)	(13,356)	(1,101)	(11,208)	-	(26,697)
Loan commitments	19	(522)	(2,720)	(216)	(280)	-	(3,738)
Commitment for XFEL Laser	19	-	(1,651)	(1,651)	(2,600)	-	(5,902)
Total future payments on financial liabilities as at 31 December 2014		**(3,729)**	**(28,963)**	**(21,270)**	**(141,351)**	**(13,826)**	**(209,139)**

In millions 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 2013							
Financial assets held for trading	8.4	-	3,305	-	-	-	3,305
Bank deposits	10	7,425	64,157	-	-	-	71,582
Cash and cash equivalents	11	6,978	-	-	-	-	6,978
Total financial assets by maturity as at 31 December 2013		**14,403**	**67,462**	**-**	**-**	**-**	**81,865**
Borrowings	13	(2,364)	(6,488)	(9,280)	(107,706)	(32,603)	(158,441)
Other payables and accrued expenses	14	(551)	-	-	-	-	(551)
Net assets attributable to non-controlling participants of subsidiaries		-	-	(274)	-	-	(274)
Commitments for equity instruments	19	(1,979)	(4,787)	(893)	(2,669)	-	(10,328)
Loan commitments	19	(1,283)	(316)	(851)	-	-	(2,450)
Commitment for XFEL Laser	19	-	(1,091)	(1,091)	(2,046)	-	(4,228)
Total future payments on financial liabilities as at 31 December 2013		**(6,177)**	**(12,682)**	**(12,389)**	**(112,421)**	**(32,603)**	**(176,272)**

The total amount of debt commitments is irrevocable or revocable only in response to an adverse material change in the counterparty's creditworthiness or other circumstances.

22 Management of Capital

The capital of the Group is represented by equity attributable to 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 2014 was RUB 59,863 million (2013: RUB 51,703 million).

As of 31 December 2014, the net asset value of the OJSC "RUSNANO" calculated based on its annual statutory financial statements prepared in accordance with Russian accounting standards was lower than its share capital. The decrease of net asset below share capital amount occurred first time since the establishment of OJSC "ROSNANO".

Long-term business plan includes action plan developed by the Management to mitigated negative consequences of net asset deterioration below share capital. The Company plans that it will be able to arrange systematics exits form project companies with sufficient income in future periods. Also the Company plan to continue the negotiation process with its creditors to maintain its short-term and long-term liquidity.Also the long-term business plan of the Company includes maintaining certain level of cash balances required to cover borrowing repayments.

In 2014, in addition to the activities stated in the long-term business plan of OJSC "RUSNANO", the Company's management started consultations with the Government of the Russian Federation and certain federal authorities about provision of additional governmental support to OJSC "RUSNANO" during the period 2016-2020.

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 2014 and 2013, 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 2014 and 31 December 2013 amounting to RUB 112,517 million and RUB 82,708 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 project 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 project 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. (2013: 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.

23 Fair Value of Financial Instruments (continued)

Financial assets carried at fair value (continued)

Financial assets held for trading amounting to RUB 6,933 million (2013: RUB 3,305 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).

The following table shows the movements of the financial instruments for the year ended 31 December 2014 and 31 December 2013 by the class of financial instruments and the Level of fair value measurement hierarchy:

	Level 1		Level 3			
In millions of Russian Roubles	**Financial assets held for trading**	**Equity investments**	**Equity investments**	**Equity instruments with embedded options**	**Loans**	**Total**
31 December 2012	**1,719**	**867**	**38,599**	**35,693**	**37,169**	**114,047**
Purchases	1,699	247	7,574	2,983	-	12,503
Loans origination	-	-	-	-	1,711	1,711
Conversion of loans into equity instruments	-	-	13,865	-	(13,865)	-
Gains/(losses) recognised in profit or loss for the year	64	199	(18,679)	(7,752)	(3,225)	(29,393)
Gains recognised in other comprehensive income for the year	173	-	1,017	-	9	1,199
Disposals	(350)	-	(3,681)	(2,249)	(7,774)	(14,054)
Reclassification	-	573	8,747	(9,320)	-	-
31 December 2013	**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**

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 2014 and 2013 and their market quotations were available as at 31 December 2014 and 31 December 2013.

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 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 Measurement 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 designated at fair value through profit or loss.

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

In millions 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					
- Bank balances due on demand	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 project 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**

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2013:

In millions 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					
- Bank balances due on demand	11	6,978	-	-	6,978
Bank deposits	10	71,582	-	-	71,582
Financial assets at fair value through profit or loss					
- Equity instruments	8	-	49,328	-	49,328
- Equity instruments with embedded options	8		19,355	-	19,355
- Loans to the project companies	8		14,025	-	14,025
- Financial assets held for trading	8	-	-	3,305	3,305
Other receivables and prepayments	9	3,265	-	-	3,265
TOTAL FINANCIAL ASSETS		**81,825**	**82,708**	**3,305**	**167,838**

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

25 Events after the Reporting Period

Subsequent to 31 December 2014 and through the date of issue of these consolidated financial statements, the Group provided additional equity investments to project companies and funds totaling RUB 385 million and debt financing totaling RUB 20 million.

Subsequent to 31 December 2014 and through the date of issue of these consolidated financial statements, the Group received RUB 1,812 million proceeds from sale of equity investments and received RUB 50 million as loans issued repayment.