RSG International Ltd

Consolidated financial statements

For the year ended 31 December 2019

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General information

Board of Directors

Georghios Fisentzides (appointed on 21 June 2016)

Company secretary

Georghios Fisentzides (appointed 6 April 2018)
5 Miaouli, Larnaka, 6017
Cyprus

Registration number

C226111

Registered office

16, Spyrou Kyprianou Avenue, H&S Centre, First Floor, Office 104
Larnaca, 6018
Cyprus

Independent auditors

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
6 Stasinou Avenue P.O. Box 21656
1511 Nicosia
Cyprus

Management report

The Board of Directors of RSG International Ltd (the “Company”) presents herewith its report and the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019.

Principal activities

The Group is involved in real estate development in the Russian Federation. There were no changes in the Group’s activities from last year.

Examination of the development, position and performance of the activities of the Group

The Board of Directors has assessed the risks set out in this report and believes that steps taken to mitigate the risks are sufficient to prevent their material adverse effect on the financial performance and financial position of the Group. Therefore: (i) the current financial position as presented in the consolidated financial statements is considered satisfactory; (ii) the Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

Financial results and dividends

The results of the Group for the respective periods are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 1 of the consolidated financial statements.

Main risks and uncertainties

In the ordinary course of business activity, the Group is exposed to a variety of risks the most important of which are credit risk, liquidity risk and market risk. These risks are identified, measured and monitored through various control mechanisms at the operating level of subsidiaries. Detailed information relating to these risks is set out in Note 26, financial risk management objectives and policies.

Share capital

The authorized and issued share capital of RSG International Ltd as of 31 December 2019 consists of 6,786,305 ordinary shares of $1 each.

Branches

The Company did not operate through any branches during the year.

Events subsequent to the reporting date

Events subsequent to the statement of financial position date are disclosed in Note 28 “Subsequent events”.

Board of Directors

The members of the Company’s Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1.

The Company’s Articles of Association do not provide for the rotation of directors. Each appointed director shall hold office until the next annual general meeting and shall be eligible for re-election.

During the year, there were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Management report (continued)

Auditors

The independent auditors of the Company, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution proposing their re-appointment and authorizing the Board of Directors to fix their remuneration will be submitted to the Members at the Annual General Meeting of the Company.

By order of the Board

RSG INTERNATIONAL LTD.

Georghios Fisentzides
Secretary

Larnaca,
17 June 2020

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Independent auditors' report

To the Members of RSG International Ltd

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of RSG International Ltd (the "Company"), and its subsidiaries (the "Group"), which are presented in pages 1 to 60 and comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Nicolas Pavlou
Certified Public Accountant and Registered Auditor
For and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
17 June 2020

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

(in thousands of Russian rubles)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018 Restated*
Revenue	7.1	18,670,304	19,154,624
Cost of sales	7.3	(14,183,519)	(14,335,830)
Gross profit		**4,486,785**	**4,818,794**
General and administrative expenses	7.4	(1,148,719)	(1,138,563)
Other operating income	7.6	743,511	419,662
Other operating expenses	7.6	(2,336,211)	(1,977,453)
Change in fair value of investment property	11	(940,918)	773,285
Operating profit		**804,448**	**2,895,725**
Finance income	7.5	475,255	761,196
Finance costs	7.5	(2,698,186)	(2,264,156)
Net (loss)/profit attributable to non-controlling participants in LLC		(146,910)	53,452
Foreign exchange gain, net		1,126	59,802
Share of (loss)/profit of associate	6	(5,505)	12,293
(Loss)/profit before income tax		**(1,569,772)**	**1,518,312**
Income tax benefit/(expense)	8	50,514	(988,693)
Net (loss)/profit for the year		**(1,519,258)**	**529,619**
Total comprehensive (loss)/income for the year		**(1,519,258)**	**529,619**
Attributable to:			
Equity holders of the parent		(1,519,258)	529,632
Non-controlling interests		–	(13)

* *The amounts shown here do not correspond to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 and reflect adjustments from correction for changes in accounting policy as described in Note 4.*

Consolidated statement of financial position

At 31 December 2019

(in thousands of Russian rubles)

	Notes	31 December 2019	31 December 2018 Restated*	1 January 2018 Restated*
Assets				
Non-current assets				
Property, plant and equipment	9	690,334	682,024	611,542
Intangible assets	10	3,785,350	3,957,770	1,552,597
Right of use of assets	3.1	447,248	–	–
Investments in associates	6	39,041	59,276	43,675
Investment properties	11	9,452,414	10,293,917	11,075,675
Inventories	13	1,419,980	1,419,980	1,407,542
Trade and other receivables	14	61,638	117,751	154,250
Interest-bearing loans receivable at amortised cost	12	155,906	–	727
Interest-bearing loans receivable at FVPL	12	1,085,262	517,225	390,805
Deferred tax assets	8	681,597	621,514	587,979
		17,818,770	17,669,457	15,824,792
Current assets				
Inventories	13	26,505,610	24,278,858	18,858,073
Trade and other receivables	14	1,249,611	957,075	1,326,616
Contract assets	22	408,123	355,198	377,520
Prepayments	15	1,513,192	1,166,639	1,360,576
Income tax receivable		235,504	237,787	249,390
Taxes recoverable		751,414	926,766	410,126
Interest-bearing loans receivable at amortised cost	12	5,107	893	954,487
Interest-bearing loans receivable at FVPL	12	1,123,172	265,650	1,264,391
Cash and cash equivalents	16	4,592,137	6,628,484	7,793,715
		36,383,870	34,817,350	32,594,894
Investment properties held for sale	11	30,000	–	50,000
Assets held for sale		–	–	276,742
		36,413,870	34,817,350	32,921,636
Total assets		54,232,640	52,486,807	48,746,428
Equity and liabilities				
Equity				
Issued capital	17	211,941	211,941	211,935
Share premium		21,575,263	21,575,263	20,978,269
Capital contribution reserve	17	(4,590,577)	(4,495,649)	(4,530,335)
Business combination reserve		2,692,177	2,692,177	2,692,177
Accumulated losses		(4,075,819)	(2,556,561)	(3,610,346)
Equity attributable to equity holders of the parent		15,812,985	17,427,171	15,741,700
Total non-controlling interests		–	–	571,340
Total equity		15,812,985	17,427,171	16,313,040
Non-current liabilities				
Interest-bearing loans and borrowings	18	3,039,061	3,377,149	2,994,392
Debt securities issued	19	8,160,301	7,985,291	9,980,226
Contract liabilities	22	1,234,285	1,429,946	1,429,946
Other liabilities	21	2,541,222	2,198,432	656,256
Deferred income tax liabilities	8	2,979,859	3,505,294	2,891,617
		17,954,728	18,496,112	17,952,437
Current liabilities				
Interest-bearing loans and borrowings	18	1,796,067	1,258,785	1,451,326
Debt securities issued	19	4,507,992	5,251,653	3,600,917
Trade and other payables	20	4,295,564	2,289,109	1,803,538
Contract liabilities	22	8,454,066	5,851,709	6,489,130
Income taxes payable		133,597	440,737	401,644
Other taxes payable		236,024	159,379	120,155
Provisions	23	167,945	49,822	77,606
Other liabilities	21	873,672	637,778	458,528
Liabilities directly associated with the assets held for sale		–	–	78,107
		20,464,927	15,938,972	14,480,951
Net assets attributable to non-controlling participants in LLC	5.1	–	624,552	–
		20,464,927	16,563,524	14,480,951
		38,419,655	35,059,636	32,433,388
Total equity and liabilities, including net assets attributable to non-controlling participants in LLC		54,232,640	52,486,807	48,746,428

* *The amounts shown here do not correspond to the consolidated statement of financial position for the year ended 31 December 2018 and reflect adjustments from correction for changes in accounting policy as described in Note 4.*

On 17 June 2020, the Board of Directors of RSG International Ltd authorized these consolidated financial statements for issue.

Georghios Fisentzides ______________ Director

The accompanying notes on pages 7 to 60 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019

(in thousands of Russian rubles)

	Year ended 31 December 2019	*Year ended 31 December 2018 Restated**
(Loss)/profit before tax	**(1,569,772)**	**1,518,312**
Adjustments for:		
Depreciation and amortization (Note 7.2)	49,791	46,645
Finance income (Note 7.5)	(475,255)	(761,196)
Finance costs (Note 7.5)	2,698,186	2,264,156
Change in fair value of investment properties (Note 11)	940,918	(773,285)
Loss on sale of property, plant and equipment, investment property (Note 7.6, 11)	21,059	2,585
Write-down of inventory to net realizable value (Note 13)	421,609	514,643
Change of allowance for expected credit loss recognized on interest-bearing loans receivable (Note 7.6)	934	(7,189)
Change of allowance for expected credit loss on trade and other receivables and other allowance on prepayments (Note 7.6)	(328,947)	113,532
Change in legal provisions (Note 7.6)	161,170	(6,780)
Foreign exchange gain, net	(1,126)	(59,802)
Change in bonuses and unused vacation accruals	97,932	75,162
Losses from write-off of VAT receivable	124,254	58,543
Share of loss/(profit) of associate (Note 6)	5,505	(12,293)
Gain on derecognition of accounts payable (Note 7.6)	(11,161)	(297,251)
Barter revenue (Note 7.1)	–	(59,869)
Cost of capitalized development rights (Note 7.3)	158,216	83,765
Capitalized significant financing component on contract liability recognized in cost of sales	183,312	164,375
Significant financing component on contract liability recognized in revenue	(664,097)	(438,722)
Loss on disposal of subsidiary (Note 7.6)	8,022	11,048
Net loss/(profit) attributable to non-controlling participants in LLC (Note 5.1)	146,910	(53,452)
Loss on write off of other inventory	–	9,801
Gain on bargain purchase of subsidiary (Note 5.1)	(376,201)	–
Other non-cash operations	(13,741)	3,789
Operating cash inflows before working capital changes	**1,577,518**	**2,396,517**
(Increase)/decrease in inventories	(360,515)	1,785,749
(Increase)/decrease in trade and other receivables, contract assets	(287,276)	671,272
(Increase)/decrease in prepayments	(347,528)	375,502
Increase in VAT receivable	(25,069)	(566,843)
Increase/(decrease) in trade and other payables	806,284	(9,728)
Increase/(decrease) in contract liabilities	916,558	(552,280)
Increase in other taxes payable	76,826	41,279
Decrease in provisions	(42,831)	(1,492)
Increase/(decrease) in other liabilities	3,637	(404,217)
Cash inflows from operating activities**	**2,317,604**	**3,735,759**
Income tax paid	(1,081,363)	(279,360)
Interest received	348,097	416,853
Interest paid	(2,169,857)	(2,166,878)
Net cash flows (used in)/from operating activities	**(585,519)**	**1,706,374**

* *The amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2018 and reflect adjustments from correction for changes in accounting policy as described in Note 4.*

** *Supplementary information: cash flows from operating activities do not include cash on escrow accounts received by authorized bank from the buyers of the residential properties as the settlement of the share participation agreements obligations in the amount of 878,065 as of 31 December 2019 (in 2018 there were no cash receipts to the escrow accounts). The access to these funds is obtained by the Group only upon the completion of the residential property object.*

Consolidated statement of cash flows (continued)

	Year ended 31 December 2019	*Year ended 31 December 2018 Restated**
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired (Note 5.1)	134,636	(1,271,662)
Purchase of investment properties	(129,872)	(108,405)
Purchase of property, plant and equipment	(78,798)	(100,979)
Proceeds from sale of property, plant and equipment and investment properties	20,204	31,592
Dividends received from associates (Note 6)	12,824	–
Contribution to investment in associate (Note 6)	(5)	(3,308)
Disposal of subsidiaries, net of cash disposed (Note 5.2)	961,407	5,010
Purchase of intangible assets	(16,238)	(24,891)
Issuance of loans receivable	(1,839,872)	(2,335,677)
Repayment of loans receivable	62,262	1,472,236
Net cash flows used in investing activities	**(873,452)**	**(2,336,084)**
Cash flows from financing activities		
Proceeds from borrowings and bonds (Note 26)	8,486,651	3,099,728
Repayment of borrowings and bonds (Note 26)	(8,839,589)	(4,330,846)
Payment for acquisition of non-controlling interests (Note 5.1, 17)	(99,381)	(20,616)
Issuance of share capital and share premium (Note 17)	–	597,000
Proceeds from cash contribution of non-controlling interest (Note 5.1)	–	87,395
Cash payments for the principal portion of lease liabilities (Note 26)	(124,742)	–
Repayment of finance lease obligations (Note 26)	–	(15,320)
Net cash flows used in financing activities	**(577,061)**	**(582,659)**
Effect of exchange rate changes on cash and cash equivalents	(315)	47,138
Net decrease in cash and cash equivalents	**(2,036,347)**	**(1,165,231)**
Cash and cash equivalents at the beginning of the year	6,628,484	7,793,715
Cash and cash equivalents at the end of the year	**4,592,137**	**6,628,484**

* *The amounts shown here do not correspond to the consolidated financial statements for the year ended 31 December 2018 and reflect adjustments from correction for changes in accounting policy as described in Note 4.*

Consolidated statement of changes in equity

For the year ended 31 December 2019

(in thousands of Russian rubles)

	Attributable to equity holders of the parent							
	Issued capital	**Share premium**	**Capital contribution reserve**	**Business combination reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
As at 31 December 2017 (audited)	**211,935**	**20,978,269**	**(4,530,335)**	**2,692,177**	**(3,401,182)**	**15,950,864**	**571,223**	**16,522,087**
Change in accounting policy (Note 4)	–	–	–	–	(209,164)	**(209,164)**	117	**(209,047)**
As at 1 January 2018 (restated*)	**211,935**	**20,978,269**	**(4,530,335)**	**2,692,177**	**(3,610,346)**	**15,741,700**	**571,340**	**16,313,040**
Net income/(loss) for the year (Restated*)	–	–	–	–	529,632	**529,632**	(13)	**529,619**
Total comprehensive income	**–**	**–**	**–**	**–**	**529,632**	**529,632**	**(13)**	**529,619**
Issuance of share capital and share premium (Note 17)	6	596,994	–	–	–	**597,000**	–	**597,000**
Acquisition of non-controlling interests (Note 17)	–	–	–	–	524,153	**524,153**	(565,505)	**(41,352)**
Dividends paid to the non-controlling interests holders (Note 17)	–	–	–	–	–	**–**	(5,822)	**(5,822)**
Capital contributions from shareholder (Note 17)	–	–	50,799	–	–	**50,799**	–	**50,799**
Capital distributions to shareholder (Note 17)	–	–	(16,113)	–	–	**(16,113)**	–	**(16,113)**
As at 31 December 2018	**211,941**	**21,575,263**	**(4,495,649)**	**2,692,177**	**(2,556,561)**	**17,427,171**	**–**	**17,427,171**

The accompanying notes on pages 7 to 60 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Attributable to equity holders of the parent					
	Issued capital	***Share premium***	***Capital contribution reserve***	***Business combination reserve***	***Accumulated losses***	***Total equity***
As at 31 December 2018 (audited)	**211,941**	**21,575,263**	**(4,495,649)**	**2,692,177**	**(2,270,325)**	**17,713,407**
Change in accounting policies (Note 4)	–	–	–	–	(286,236)	**(286,236)**
As at 31 December 2018 (restated*)	**211,941**	**21,575,263**	**(4,495,649)**	**2,692,177**	**(2,556,561)**	**17,427,171**
Net loss for the year	–	–	–	–	(1,519,258)	**(1,519,258)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(1,519,258)**	**(1,519,258)**
Capital contributions from shareholder (Note 17)			8,063			**8,063**
Capital distributions to shareholder (Note 17)	–	–	(102,991)	–	–	**(102,991)**
As at 31 December 2019	**211,941**	**21,575,263**	**(4,590,577)**	**2,692,177**	**(4,075,819)**	**15,812,985**

(in thousands of Russian rubles)

1. Corporate information

The consolidated financial statements of RSG International Ltd (hereinafter “the Company”) and its subsidiaries (hereinafter, “RSG International” or “the Group”) for the year ended 31 December 2019 were authorized for issue on 17 June 2020.

RSG International Ltd was incorporated in the Republic of Cyprus on 24 March 2008 as a limited liability company under the Republic of Cyprus Companies Law, Cap. 113. The Company’s registered office is located at 16, Spyrou Kyprianou Avenue, H&S Centre, First Floor, Office 104, 6018, Larnaca, Republic of Cyprus. The parent company of the Group is Kortros LLC.

Mr. Victor Vekselberg was the ultimate controlling party of the Group as at 31 December 2018. The Group did not have the ultimate controlling party as of 31 December 2019.

Principal activities

Principal activities of the Group include investments in and construction of real estate properties for their further sale, rent or holding for capital appreciation purposes and construction of business and residential property in Moscow and Moscow region, Ural Federal District, Northwestern Federal District and other regions of the Russian Federation. The Group specializes on projects of Complex Territories Development (CTD), which envisage the creation of balanced city-building solution (residential properties, infrastructure, work, social sphere, leisure) and its implementation on the specific land plot.

The consolidated financial statements include the financial statements of RSG International Ltd and its more than forty wholly owned subsidiaries.

Going concern

These consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. For the year ended 31 December 2019, the Group reported operating cash outflow of 585,519 and net loss of 1,519,258. For the year ended 31 December 2018, the Group reported operating cash inflow from continuing operations of 1,706,374 and net income of 529,619.

Abovementioned factors do not create going concern risks as the Group still has the ability to settle its current financial and non-financial obligations in a normal course of business (current assets exceed current liabilities by 15,948,943 as at 31 December 2019 (31 December 2018: 18,253,826). In addition, the Group has the possibility to attract additional financing if necessary since the unused borrowing facilities amount to 5,395,619 as at 31 December 2019 (31 December 2018: 4,466,266).

In the next twelve months, the Group expects to finance its operating and investing activities primarily with cash generated from operations, through attraction of additional borrowings from banks and renegotiating of its short-term loans. Management believes that necessary financing will be available to the Group and it will be able to pay debts as they become due.

Based on the current market conditions the Board and the management have reasonable expectations that the Group has adequate resources to continue its operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparation of these consolidated financial statements.

2. Significant accounting policies

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements of the Group for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except when otherwise stated further.

The consolidated financial statements are presented in Russian rubles and all values are rounded to the nearest thousand except when otherwise indicated. The functional currency of the Company and its subsidiaries is the national currency of the Russian Federation, Russian ruble ("RUR").

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company's, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated.

2.2 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Acquisition of companies

The Group exercises judgment in deciding whether the acquisition of companies is an acquisition of asset or a business combination, considering relevant factors, analyzing transaction terms and applying the definitions of asset and business combination stated in respective IFRS.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Litigations

The Group exercises judgement in measuring and recognizing provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. Revisions to the estimates may significantly affect future operating results. More details are provided in Note 23.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.2 Significant accounting judgements, estimates and assumptions (continued)

Fair value of investment properties

Investment property is stated at fair value as at the reporting date. Gains or losses arising from changes in the fair values are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

The fair value of investment properties is determined based on valuations performed by an accredited independent appraiser. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Estimates to determine the fair value are based on valuation techniques which require considerable judgement in forecasting future cash flows and developing other assumptions. The Group performed selection of the method of valuation considering the following methods:

- ► Income approach / discounted cash flow (DCF) method;
- ► Market approach.

In the course of this analysis the advantages and disadvantages of each applied technique were considered in relationship to the property being appraised and to the market. In the end the final conclusions on the Investment property market and fair values are made based on all relevant factors and best judgment.

Techniques used for valuing investment property

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property.

The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/ terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

Market approach includes collection of data of sales and offers of properties similar to evaluated properties. The prices for similar properties are then adjusted for significant parameters which differentiate the properties. After adjustment prices may be used for determining market prices of the evaluated properties. The market approach takes into account the supply and demand parity on the market, as well as other external factors.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair values of assets and liabilities acquired in business combinations

The Group is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates.

Such estimates are based on valuation techniques (the Discounted Cash Flow Method or Market approach), which require considerable judgment in forecasting future cash flows and developing other assumptions.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2019 and 2018, no impairment loss was identified.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.2 Significant accounting judgements, estimates and assumptions (continued)

The determination of impairment of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The determination of the recoverable amount of a CGU involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in used and, ultimately, the amount of any impairment.

Development costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

Current taxes

The Group recognizes liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses in the period in which the determination is made. More details are provided in Note 26.

Inventory allowance

Inventory is stated at the lower of cost and net realizable value (NRV) (Note 13). NRV is assessed with reference to market conditions and prices existing at the statement of financial position date and is determined by the Group's sales and marketing managers. Estimates of NRV of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the end of the reporting period to the extent that such events confirm conditions existing at the end of the period. As of 31 December 2019 and 2018, allowance for net realizable value in respect of inventories amounted to 1,924,781 and 1,872,424 respectively.

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group makes allowances for expected credit losses (ECL) for trade and other accounts receivable and loans receivable to account for estimated losses resulting from inability of customers to make required payments. When evaluating the adequacy of an allowance for ECL, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for ECL recorded in the consolidated financial statements. Allowances for ECL in respect of accounts receivable and allowances for impairment of prepayments had been made in the amount of 158,906 and 122,707 as of 31 December 2019, and 710,127 and 104,540 as of 31 December 2018, respectively (Note 14, Note 15).

Deferred income tax assets

Deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from that estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of profit or loss and other comprehensive income.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The non-controlling interest (formerly known as minority interest) is measured at the proportionate share of the acquiree's identifiable net assets.

Consideration transferred in a business combination is initially measured at its fair value calculated as the sum of the acquisition-date fair values of the assets transferred and the liabilities incurred to the former owners of the acquired company and the equity interest issued.

Goodwill is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the fair value of acquiree's acquisition-date identifiable assets acquired and liabilities assumed. If the sum above is lower than the fair value of acquiree's acquisition-date identifiable assets acquired and liabilities assumed, the difference is recognized in profit or loss as gain on a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The Group determines whether goodwill is impaired at least on an annual basis. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of the CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Acquisition of non-controlling interest

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity in business combination reserve and attributed to the owners of the parent.

Business combinations under common control

Business combinations involving transactions with parties under common control with the Group are accounted for using the pooling of interests method.

The assets and liabilities of entities transferred under common control are recorded at the carrying amounts of the transferring entity (the predecessor) at the date of the transfer. Related goodwill inherent in the predecessor's original acquisition is also recorded in the financial statements. Any difference between the total carrying values of the acquired net assets, and the consideration paid is accounted for within equity in the consolidated financial statements. Assets, liabilities, income and expenses of the acquired entity are included in the consolidated financial statements from the date of the business combination.

2.4 Investments in associates

The Group's investments in its associates are accounted for using the equity method and are initially recognized at cost, including goodwill. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognized in the statement of profit or loss and other comprehensive income, and its share of movements in other comprehensive income is recognized in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.5 Foreign currency translation

The companies of the Group which are incorporated in the Republic of Cyprus and in the Russian Federation maintain their accounting records in Russian rubles and prepare their statutory financial statements in accordance with IFRS as adopted by the European Union (EU) and the requirements of the Republic of Cyprus Companies Law, Cap. 113 and in accordance with the Regulations on Accounting and Reporting of the Russian Federation, respectively. These financial statements are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with the Group's accounting policies. The principal adjustments relate to use of fair values and income taxes.

The functional currency of each Group's entity (both Russian companies and overseas) is the Russian ruble, the currency of the main economic environment in which they operate.

Starting from 1 January 2018 the Group changed its presentation currency from the US dollars to the Russian ruble, which coincides with the Group entities' functional currency and according to management of the Group, allows users (owners and investors) of consolidated financial statements to assess the actual dynamics of the consolidated financial statements of the Group, taking into account the relevant sector circumstances and practices.

2.6 Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets under IFRS 9

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category by the Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Good Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 18.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.7 Cash and cash equivalents

Cash in the statement of financial position comprises cash at banks and in hand, short-term deposits with an original maturity of three months or less.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Completed property and property under development

Completed property and property under development is property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. Such property is stated at the lower of cost or net realizable value. Cost is based on the individual cost method and includes the following:

- ► Freehold and leasehold rights for land;
- ► Planning and design costs, costs of site preparation;
- ► Cost of raw materials;
- ► Labor costs and amounts paid to subcontractors for construction;
- ► Construction overheads allocated proportionately to the stage of completion of the inventory based on normal operating capacity;
- ► Borrowing costs.

The cost of completed property and property under development recognised in profit or loss on disposal is determined with reference to the specific costs incurred on inventories sold and an allocation of any non-specific costs based on the relative size of the property sold.

Inventories are classified as current when the following conditions are met: i) construction is ongoing; ii) the completion and the sale of the asset is anticipated to occur in near future and as part of the normal construction period, which is longer than one calendar year, and no significant delays in construction are expected. Otherwise, the inventory is classified as non-current.

The operating cycle of a construction project may exceed 12 months. Inventories are classified as current, even if within 12 months after the reporting date their sale is not expected.

The Group concludes investment and co-investment contracts for construction of residential premises with local authorities. These investment contracts could impose on the Group the requirements to construct and transfer to the local authorities:

- ► Certain social objects, such as schools and kindergartens, after the completion;
- ► Certain infrastructure objects (water, heat and electricity supply systems, roads and etc.) related to constructing residential districts.

If such costs are directly attributable to buildings under construction, then costs for the construction of abovementioned objects are included in total costs of construction of buildings, to which these investment rights are related.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.9 Property, plant and equipment

Property, plant and equipment are recorded at purchase or construction cost less accumulated depreciation and accumulated impairment. Such cost includes the cost of replacing part of plant and equipment when that cost is incurred if the recognition criteria are met. At each reporting date 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 difference is recognized as an expense (impairment loss) in the statement of profit or loss and other comprehensive income.

An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Depreciation is calculated on a straight-line basis. The depreciation periods, which represent the estimated useful economic lives of the respective assets, are as follows:

	Number of years
Buildings	30 to 50
Fitting and fixtures	30
Office equipment and others	3 to 10
Leasehold improvements	Lower of useful life and lease term

An item of property, plant and equipment and any its significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognized.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalized, and the assets replaced are retired.

When each major inspection is performed, its cost is recognized as a component in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit or loss and other comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is either recognized in the statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset or is capitalized in cost of inventories being under construction.

Investment contracts with local authorities for the rights of development and construction may require the Group to provide apartments or other constructed real estate free of charge. Such an exchange of assets may represent barter transaction (Note 2.19). Development rights are amortized on a straight-line basis proportionally to stage of completion of the related project. Leasehold rights are amortized using straight-line method over duration of rent agreement.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.10 Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level. When there is an indication that the carrying value of these assets may be impaired, the test for impairment is performed immediately. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

2.12 Investment property

Investment property comprises the land with currently undetermined future use and completed property (principally offices, commercial warehouse and residential property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held to earn rentals or for capital appreciation or both.

A property interest that is held by a Group under an operating lease is classified and accounted for as an investment property if the property meets the definition of an investment property and the Group uses the fair value model for the asset recognised.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains and losses arising from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss and other comprehensive income in the year of retirement or disposal. Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.12 Investment property (continued)

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the statement of profit or loss and other comprehensive income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the statement of profit or loss and other comprehensive income.

Interest costs on borrowings to finance the construction and development of investment property are capitalized, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

2.13 Deferred income taxes

Deferred tax assets and liabilities are calculated in respect of temporary differences using the statement of financial position method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.14 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

2.15 Equity

Issued capital and share premium

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as a share premium.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.15 Equity (continued)

Capital contribution reserve

Capital contribution reserve includes the effect of discounting of loans received from and granted to the entities under common control under the terms different from the market terms, and distribution to and contribution from shareholders.

Business combination reserve

Business combination reserve represents:

- The difference between net assets of the acquired subsidiaries and consideration paid at the acquisition, that have been accounted for using the pooling of interests method, and also the effect of changes in group structure including the reorganization of parent company.
- The differences between the carrying values of non-controlling interest in entities acquired and the consideration given for such increase.

Foreign currency translation reserve

Foreign currency translation reserve reflected the effect of translation of accounts from functional currency to presentation currency when the presentation and functional currency were different.

Dividends

Dividends are recognized as a liability and deducted from equity at the statement of financial position date only if they are declared before or on the statement of financial position date. Dividends are disclosed when they are proposed before the statement of financial position date or proposed or declared after the statement of financial position date but before the financial statements are authorized for issue.

2.16 Net assets attributable to non-controlling participants in LLCs

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. The non-controlling participants' share in profit or loss of those subsidiaries is presented in the consolidated statement of profit or loss and other comprehensive income in separate line as net gain (loss) attributable to non-controlling participants in LLC.

In case of negative net assets of subsidiaries having the legal form of LLC, non-controlling participants are recorded within equity.

2.17 Revenue recognition

The Group recognises revenue from the following major sources:

- Construction of residential properties;
- Sales of uncompleted projects;
- Lease of commercial property;
- Heating, electricity and energy services;
- Technical supervision services;
- Barter revenue.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.17 Revenue recognition (continued)

Construction of residential properties

Amount of revenue is determined on the basis of the consideration promised in a contract with a customer, excluding amounts collected on behalf of third parties and adjusted for the effects of a significant financing component. Financing component represent amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer (i.e. the cash selling price).

Amount of financing component is estimated using the discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception. Interest expense recognized as a result of adjustments for a significant financing component is presented in the same way as financing costs.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers property to a customer and when the customer pays for that property is one year or less.

Revenue is recognised when the customer obtains control over residential properties. Moment of transfer of control depends on the conditions of the contract. The Group constructs and sells residential properties to customers under two major types of contracts: (a) sales contracts and (b) long-term co-investment contracts.

(a) Revenues from sales contracts is recognized at point in time when the act of delivery and acceptance is signed by the Group and the customer.

(b) Co-investment contracts are usually entered into at the early stages of construction of the residential properties. Under the terms of these contracts, the Group is contractually restricted from redirecting the properties to another customer:

  (i) Revenue under co-investment contracts signed before 1 January 2017 is recognized at point in time when the act of delivery and acceptance is signed by the Group and the customer.

  (ii) Starting from 1 January 2017 the Group has an enforceable right to payment for work done due to changes in Federal Law *On Participation in the Joint-share Construction of Apartment Buildings and Other Real Properties* No. 214-FZ. Therefore, revenue on co-investment contracts signed after 1 January 2017 is recognized over time using input method. Under the input method revenue is recognized on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The Group considers that input method using costs is an appropriate measure of the progress towards complete satisfaction of these performance obligations. The Group calculates progress of completion based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. For the purpose of measuring progress towards complete satisfaction of these performance obligations the cost of land plots and permissions are excluded from actual costs incurred and estimated total contract costs, as such costs does not contribute to the progress of properties construction and treated as a fulfilment costs.

Under co-investment contracts customers ordinary pay the full consideration up-front and the Group concluded that all such contracts contain significant financing component.

Sales of uncompleted projects

The Group considers real estate investments (purchase of land plots) and sales as its principal activity and, consequently, recognizes such income as revenue at a point of land plot transfer to a customer.

Lease of commercial property

The Group leases out commercial premises and land plots to related and third parties. Rental income receivable under operating leases is recognized on a straight-line basis over the term of the lease, except for contingent rental income which is recognized when it arises. Premiums received to terminate leases are recognized in the statement of operations when they arise.

Heating, electricity and energy supply services

The Group provides heating, electricity and energy services to related and third parties (transfer of heating energy and electricity through the Group's public facility networks) and services on connection of third parties to the public facility networks. The Group recognizes revenue over the time when respective services are supplied.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.17 Revenue recognition (continued)

Technical supervision services

The Group performs technical supervision services with respect to construction of projects to related and third parties and recognizes revenue over the time when respective services are supplied.

Barter revenue

The Group concludes investment contracts with local authorities for development and construction of residential districts. According to these investment contracts the Group is required to provide apartments to a number of individuals or construct social objects and transfer them to local authorities free of charge in exchange of the development rights. Such exchange of assets represents barter transaction. Transfer of the apartments and social objects constitutes sale, and respective liabilities are recognized at the estimated fair value of the apartments/social objects to be transferred as of the date of gaining of the development rights. The barter revenue is recognized at a point of time when apartment or social objects are accepted by local authorities and/or transferred to third parties.

2.18 Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss and other comprehensive income.

2.19 Exchange transactions

The Group enters into investment agreements to construct buildings, where a certain number of apartments and/or commercial area should be given away to the local authorities (as well as certain infrastructure facilities should be constructed) in exchange for development rights. This exchange is regarded as a transaction that generates revenue. When the fair value of development rights received can be measured reliably the revenue is measured at the fair value of the development rights, adjusted for any cash or cash equivalents transferred. When the fair value of development rights received cannot be measured reliably the revenue is measured at the fair value of real estate properties given up, adjusted for any cash or cash equivalents transferred.

2.20 Employee benefits

State pension scheme

In the normal course of business the Group contributes to the Russian state pension, social insurance, medical insurance and unemployment funds at the statutory rates in force, based on gross salary payments. Mandatory contributions to the governmental pension scheme are expensed when incurred. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits.

2.21 Classification of assets and liabilities

Assets and liabilities are classified as current if they are expected to be realized or settled within the twelve months after the balance sheet date, except for the Inventory and contract liabilities, which are classified as current if the Company expects to realise them or intends to settle them in its normal operating cycle, which may exceed 12 months. All other assets and liabilities are classified as non-current.

3. Changes in accounting policies and disclosures

3.1 New and revised standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards adopted by the EU and effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and effect of the changes as a result of adoption of new standards are described below.

(in thousands of Russian rubles)

3. Changes in accounting policies and disclosures (continued)

3.1 New and revised standards and interpretations (continued)

IFRS 16 Leases

IFRS 16 replaces the existing accounting guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Recognition exemptions exist for short-term leases and leases of low-value items. Lessor accounting remains similar to current standard – i.e. lessor continue to classify leases as a finance or operating leases.

The Group adopted IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, comparative information presented for 2018 has not been restated and presented under IAS 17 and related interpretations. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

As required by IFRS 16, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

a) Definition of a lease

Previously, the Group determined a contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease.* The Group now assesses whether a contract is or contains a lease based on new definition of a lease. Under IFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange of consideration.

At inception or reassessment of a contract that contains a lease component, the Group allocates the consideration to the lease and not-lease components on the basis of their relative stand-alone values.

b) As a lessee

The Group's lease portfolio mainly consists of land lease agreements for construction of residential real estate for sale.

As a lessee the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and reward of ownership. Under IFRS 16 the Group recognizes right-of-use assets and lease liabilities for most of leases – i.e. these leases are on-balance sheet. However, the Group has elected not recognize right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognizes lease payments associated with these leases as expenses on a straight-line basis over the lease time.

On transition to IFRS 16 the Group recognized additional right-of use assets and additional lease liabilities. The impact on transition is summarized below:

	As at 1 January 2019
Right-of-use assets	668,478
Other non-current liabilities	478,324
Other current liabilities	198,787

(in thousands of Russian rubles)

3. Changes in accounting policies and disclosures (continued)

3.1 New and revised standards and interpretations (continued)

The carrying amount of right-of-use assets and lease liabilities are presented below:

	As at 31 December 2019	***As at 1 January 2019***
Non-current assets		
Property, plant and equipment	17,047	15,079
Right-of-use assets	447,248	668,478
Total assets	**464,295**	**683,557**
Equity and liabilities		
Other non-current liabilities	368,008	478,324
Other current liabilities	224,813	198,787
Total equity and liabilities, including net assets attributable to non-controlling participants in LLC	**592,821**	**677,111**

The Group discounted lease payments using its incremental borrowing rate at 1 January 2019 for measuring lease liabilities for leases that were classified before as operating leases. The weighted average incremental borrowing rate (range) for different leases was 11.38-13.54%.

c) Summary of new accounting policies

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Right-of-use assets are depreciated are depreciated in a straight-line basis over the lease term for land lease agreements and over shorter of the lease term and estimated useful life of assets for other property, plant and equipment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term and amounted to 31,850 for year ended 31 December 2019 (Note 7.4).

(in thousands of Russian rubles)

3. Changes in accounting policies and disclosures (continued)

3.1 New and revised standards and interpretations (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Significant judgement in estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

d) *Amounts recognized in the statement of financial position and profit or loss*

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year are presented below:

	Right-of-use assets	***Long-term lease liabilities***	***Short-term lease liabilities***
As at 1 January 2019	**668,478**	**(478,324)**	**(198,787)**
Additions	8,080	(13,796)	–
Increases due to acquisition of subsidiary (Note 5.1)	26,275	(12,143)	(14,514)
Depreciation expense	(255,585)	–	–
Interest expense	–	–	(78,082)
Lease payments	–	–	202,825
Reclassification	–	136,255	(136,255)
As at 31 December 2019	**447,248**	**(368,008)**	**(224,813)**

Right-of-use assets are represented by lease of land plots

e) *As a lessor*

The accounting policies applicable to the Group as a lessor under IFRS 16 are not different from those under IAS 17.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. The interpretation did not have an impact on the consolidated financial statements of the Group.

(in thousands of Russian rubles)

3. Changes in accounting policies and disclosures (continued)

3.1 New and revised standards and interpretations (continued)

IFRS 9: Prepayment Features with Negative Compensation (Amendment)

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no material impact on the consolidated financial statements as the amount of investment to associate is insignificant for the Group's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

The IASB has issued the Annual Improvements to IFRSs 2015-2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019.

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there is no transaction where a joint control is obtained.
- IAS 12 *Income Taxes*: The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.
- An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, they had no impact on the interim condensed consolidated financial statements of the Group.
- IAS 23 *Borrowing Costs*: The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. The adoption of the Amendment resulted in the recalculation of borrowing costs capitalized as part of property being constructed by the Group, the effect of the amendments on the Group's financial statements is presented in Note 4 below.

(in thousands of Russian rubles)

3. Changes in accounting policies and disclosures (continued)

3.2 Published IASB financial reporting standards, amendments and interpretations that are endorsed by EU but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards.

Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform (issued on 26 September 2019, endorsed on 15 January 2020)

Interest rate benchmarks such as interbank offered rates (IBORs) play an important role in global financial markets. These benchmarks index a wide variety of financial products worth trillions of dollars and other currencies, ranging from mortgages to derivatives. Some hedge accounting requirements in IFRS 9 and IAS 39 may be affected by uncertainties arising from the impact of the reform on the timing and amount of designated future cash flows. Due to such uncertainties, companies could be required to discontinue hedge accounting. Companies may also not be able to designate new hedging relationships. In the Board's view, discontinuation of hedge accounting solely due to such uncertainties would not provide useful information to users of financial statements. Therefore, the Board decided to amend specific hedge accounting requirements in IFRS 9 and IAS 39 to provide exceptions during this period of uncertainty.

The proposed changes:

- Modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
- Require specific disclosures about the extent to which the entities' hedging relationships are affected by the proposed amendments; and
- Note that the amendments would be mandatory.

The proposed amendments also note that the Boards proposes to amend the hedge accounting requirements only as specified in the exposure draft and that the proposals are not intended to provide relief from any other consequences arising from interest rate benchmark reform. Moreover, the exposure draft notes that if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified in the exposure draft, then discontinuation of hedge accounting is still required.

(in thousands of Russian rubles)

3. Changes in accounting policies and disclosures (continued)

3.2 Published IASB financial reporting standards, amendments and interpretations that are endorsed by EU but not yet effective (continued)

IFRS 3: Business Combinations: definition of a Business (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted.

These amendments do not have a significant impact on the Group's consolidated financial statements.

3.3 Published IASB financial reporting standards, amendments and interpretations not yet endorsed by EU

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have also been applied. IFRS 17 *Insurance Contracts* establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IAS 1 Presentation of financial statements: classification of liabilities as Current or Non-current

The International Accounting Standards Board (IASB) has issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)" providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- Make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The IASB has issued an exposure draft to defer the effective date for this amendment to 1 January 2023.

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (issued 14 May 2020)

Amendments to IFRS 3 *Business Combinations* update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16 *Property, Plant and Equipment* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* specify which costs a company includes when assessing whether a contract will be loss-making.

Annual Improvements make minor amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture and the Illustrative Examples accompanying* IFRS 16 *Leases*.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted.

(in thousands of Russian rubles)

3. Changes in accounting policies and disclosures (continued)

3.3 Published IASB financial reporting standards, amendments and interpretations not yet endorsed by EU (continued)

Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions (issued on 28 May 2020)

This amendment changes the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020.

We do not expect any significant impact on the Group's consolidated financial statements as the result of these amendments.

4. Restatement of comparative information

Net realizable value of inventories and provision for onerous contracts

In March 2019 the IFRS Interpretations Committee issued a clarification regarding over time transfer of constructed goods in connection with IAS 23 *Borrowing Costs*. The Committee concluded that inventory (work-in-progress) for unsold units under construction that the entity recognises is not a qualifying asset. In previous periods the Group capitalized borrowing costs related to land plots (and similar assets) acquired during the construction process. The clarification stated the entity is not allowed to capitalise borrowing costs as they are not directly attributable to the acquisition, construction or production of a qualifying asset.

The Group has made retrospective restatements during the current year as a result of adoption of this clarification as follows:

- Carrying value of inventories as at 31 December 2018 was overstated by 424,463, deferred tax assets were understated by 38,180, deferred tax liabilities were overstated by 46,713, accumulated losses were understated by 286,236, and net assets attributable to non-controlling participants in LLC were overstated by 53,334 in the statement of financial position as at 31 December 2018;
- Cost of sales were overstated by 178,229, general and administrative expenses were overstated by 62,444, other operating expenses were understated by 69,948, income from change in fair value of investment property were overstated by 9,602, finance income was overstated by 3,610, finance costs were understated by 320,668, income tax expenses were overstated by 32,631 in the statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

Impact of the above-mentioned changes on the statement of profit and loss and other comprehensive income for year ended 31 December 2018 and statement of financial position as of 31 December 2018 is as follows:

	For the year ended 31 December 2018		
	As reported	***Change in accounting policy***	***As restated***
Cost of sales	(14,514,059)	178,229	(14,335,830)
Gross profit	**4,640,565**	**178,229**	**4,818,794**
General and administrative expenses	(1,201,007)	62,444	(1,138,563)
Other operating income	419,662	–	419,662
Other operating expenses	(1,907,505)	(69,948)	(1,977,453)
Change in fair value of investment property	782,887	(9,602)	773,285
Operating profit	**2,734,602**	**161,123**	**2,895,725**
Finance costs	(1,939,878)	(324,278)	(2,264,156)
Net (profit)/loss attributable to non-controlling participants in LLC	–	53,452	53,452
Profit/(loss) before income tax	**1,628,015**	**(109,703)**	**1,518,312**
Income tax expense/(benefit)	(1,021,324)	32,631	(988,693)
Profit/(loss) for the year	**606,691**	**(77,072)**	**529,619**
Attributable to:			
Equity holders of the parent	606,704	(77,072)	529,632
Non-controlling interests	(13)	–	(13)

(in thousands of Russian rubles)

4. Restatement of comparative information (continued)

Net realizable value of inventories and provision for onerous contracts (continued)

	As of 31 December 2018		
	As reported	*Change in accounting policy*	*As restated*
Non-current assets			
Deferred tax assets	583,334	38,180	621,514
Total non-current assets	**17,631,277**	**38,180**	**17,669,457**
Current assets			
Inventories	24,703,321	(424,463)	24,278,858
Total current assets	**35,241,813**	**(424,463)**	**34,817,350**
Total assets	**52,873,090**	**(386,283)**	**52,486,807**
Equity			
Accumulated losses	(2,270,325)	(286,236)	(2,556,561)
Equity attributable to equity holders of the Parent	**17,713,407**	**(286,236)**	**17,427,171**
Non-current liabilities			
Deferred income tax liabilities	3,552,007	(46,713)	3,505,294
Total non-current liabilities	**18,542,827**	**(46,713)**	**18,496,112**
Net assets attributable to non-controlling participants in LLC	**677,886**	**(53,334)**	**624,552**
Total equity and liabilities, including net assets attributable to non-controlling participants in LLC	**52,873,090**	**(386,283)**	**52,486,807**

Impact of the above-mentioned changes on the statement of financial position as at 1 January 2018 is as follows:

	As of 1 January 2018		
	As reported	*Change in accounting policy*	*As restated*
Non-current assets			
Non-current inventories	1,407,542	–	1,407,542
Deferred tax assets	578,160	9,819	587,979
Total non-current assets	**15,814,973**	**9,819**	**15,824,792**
Current assets			
Inventories	19,121,066	(262,993)	18,858,073
Total current assets	**32,857,887**	**(262,993)**	**32,594,894**
Total assets	**48,999,602**	**(253,174)**	**48,746,428**
Equity			
Accumulated losses	(3,401,182)	(209,164)	(3,610,346)
Equity attributable to equity holders of the Parent	**15,950,864**	**(209,164)**	**15,741,700**
Non-controlling interest	571,223	117	571,340
Total equity	**16,522,087**	**(209,047)**	**16,313,040**
Non-current liabilities			
Deferred tax liabilities	2,934,060	(42,443)	**2,891,617**
Total non-current liabilities	**17,994,880**	**(42,443)**	**17,952,437**
Current liabilities			
Provisions	79,290	(1,684)	77,606
Total current liabilities	**14,482,635**	**(1,684)**	**14,480,951**
Total equity and liabilities, including net assets attributable to non-controlling participants in LLC	**48,999,602**	**(253,174)**	**48,746,428**

(in thousands of Russian rubles)

5. Business combinations, acquisitions and disposals

5.1 Acquisition of subsidiary and non-controlling interest

Acquisition of subsidiary

In September 2018, the Group acquired 65% stake in a company located in Moscow. The acquisition of the new company constituted a group of assets and liabilities associated with new construction project, rather than business. The Group recognized net assets attributable to non-controlling participants in LLC in the amount of 624,552 as of 31 December 2018.

The assets and liabilities recognized in the consolidated statement of financial position on the date of the acquisition 65% of shares in September 2018 were as follows:

	Fair value of assets and liabilities
Cash and cash equivalents	10,786
Inventories (Note 13)	5,499,761
Intangible assets (Note 10)	2,554,605
Trade and other receivables	325,368
Deferred tax assets	88,668
Other liabilities	(2,387,726)
Interest bearing loans and borrowings	(2,692,266)
Trade and other payables	(487,903)
Total net assets	**2,911,293**
Less net assets attributable to non-controlling participants in LLC	(590,491)
Total net assets less net assets attributable to non-controlling participants in LLC	**2,320,802**
Cash consideration paid	(1,282,448)
Non-cash consideration	(1,038,354)
Total purchase consideration	**(2,320,802)**

Non-cash consideration represents the offset of loans receivable and respective interest receivable from the previous owners of the company acquired.

Analysis of cash flows on acquisition is as follows

Cash consideration	(1,282,448)
Less cash aquired	(10,786)
Net cash outflow on acquisition of subsidiary	**(1,271,662)**

From the date of acquisition up to 31 December 2018 newly acquired subsidiary received 87,395 as capital contribution from the non-controlling interest holders for further project development.

Intangible assets represented development rights. The carrying value of trade and other receivables approximated to its fair value.

In November 2019 the Group entered into linked transactions comprising acquisition of the remaining 35% stake in the company in which the stake of 65% was acquired in September 2018 (described above) and acquisition of 100% stake in a new subsidiary located in Moscow.

The entire consideration for these linked transactions was allocated to the acquisition of NCI and the new subsidiary based on the relative fair value of both stakes at the date of the transaction.

The transaction is described as follows.

(in thousands of Russian rubles)

5. Business combinations, acquisitions and disposals (continued)

5.1 Acquisition of subsidiary and non-controlling interest (continued)

Contingent consideration

As a part of purchase agreement with previous owner a contingent consideration was agreed. Contingent consideration is payable in full to previous owner not later 31 December 2021 in case certain condition are met. Conditions include change of construction permits by the Group and adjustments of construction project documentation.

As of the date of acquisition and 31 December 2019 fair value of contingent consideration is equal to 324,169 and 328,407 accordingly (Note 21). Contingent consideration was allocated to the acquisition of NCI and the subsidiary at the date of acquisition in the amounted of 184,225 and 139,944 accordingly. The fair value is determined using a DCF method taking into consideration the probability of payment and time value of money. The contingent consideration is classified as financial liability at FVTPL and presented within other financial liability line. In case the discount rate was 1% lower/higher, the amount of contingent liability recognized at the date of acquisition would be 6,193 higher / 6,024 lower.

Acquisition of non-controlling interest

	20 November 2019
Purchase consideration	
Cash consideration (included in cash flows from financing activities)	78,765
Unpaid part of consideration (Note 20)	508,255
Contingent consideration liability	184,225
Transaction costs (Note 20)	217
Total consideration	**771,462**

The fair value of consideration and acquired non-controlling interests represented in the table below:

	20 November 2019
Purchase consideration	
Total consideration	771,462
Net assets attributable to non-controlling participants in LLC	(494,136)
Difference between carrying amount of liability to non-controlling participants in LLC	**277,326**

The following table represents changes in Net assets attributable to non-controlling participants in LLC during 2019:

	Net assets attributable to non-controlling participants in LLC
As at 1 January 2019	**624,552**
Share in loss of the subsidiary till the date of NCI acquisition	(130,416)
Net assets attributable to non-controlling participants in LLC acquired	(494,136)
As at 31 December 2019	**–**

The difference between the carrying amount of liability to non-controlling participants in LLC at the date of acquisition and consideration for the deal amounted to 277,326 and share in loss of the subsidiary till the date of NCI acquisition amounted to 130,416 represented Net loss attributable to non-controlling participants in LLC in income statement amounted to 146,910.

Acquisition of subsidiary

The net assets at the date of acquisition amounted to 962,297. Acquisition was classified as business combination and was accounted for using the acquisition method. Difference between the fair value of net assets acquired and consideration paid amounted to 376,201 and was recognized as gain on bargain purchase (Note 7.6).

(in thousands of Russian rubles)

5. Business combinations, acquisitions and disposals (continued)

5.1 Acquisition of subsidiary and non-controlling interest (continued)

The fair values of the identifiable assets and liabilities of new subsidiary as at the date of acquisition were determined based on the valuation report of independent appraiser and are presented below:

	20 November 2019
Intangible assets (Note 10)	165,272
Right of use of assets (Note 3.1)	26,275
Inventories (Note 13)	2,350,830
Contract assets (Note 22)	104,225
Trade and other receivables	158,185
Taxes recoverable	17,211
Cash	194,469
Loans payable – non-current	(11,383)
Trade and other payables	(22,971)
Deferred income tax liabilities (Note 8)	(230,609)
Contract liabilities (Note 22)	(1,634,126)
Lease liabilities (Note 3.1)	(26,657)
Other liabilities	(128,424)
Total identified net assets at fair value	**962,297**
Purchase consideration proposed	586,096
Gain on bargain purchase	376,201

Intangible assets represented development rights. The carrying value of trade and other receivables approximated to its fair value.

The Group recognised gain on bargain purchase in amount of 376,201 that was due to the fact that the date of transferring control determined per IFRS standards was later than the date of agreeing the consideration between the parties. As the development project progress during this time gap, the risks attributable to the subsidiary became less that resulted in the higher fair value recognized in these consolidated financial statements at the date of acquisition compared to the consideration agreed.

The following table summarize the acquisition-date fair value of each major class of consideration proposed.

	20 November 2019
Purchase consideration	
Cash consideration (included in cash flows from financing activities)	59,833
Unpaid part of consideration (Note 20)	386,087
Contingent consideration liability	139,944
Transaction costs (Note 20)	232
Total consideration	**586,096**

	20 November 2019
Analysis of cash flows on acquisition	
Consideration paid in cash	(59,833)
Less cash acquired with the subsidiary	194,469
Net cash inflow on acquisition (included in cash flows from investing activities)	**134,636**

From the date of acquisition, entity contributed 124,414 of revenue and 3,327 to loss before tax of the Group. If the combination had taken place at the beginning of the year, revenue would have been 742,923 and loss before tax for the Group would have been 275,890. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

(in thousands of Russian rubles)

5. Business combinations, acquisitions and disposals (continued)

5.2 Disposal of subsidiaries

Subsidiary disposed

In 2015 the Group sold a subsidiary with a real estate project to a third party, but the respective receivables were not settled. In 2019 the Group received from the buyer development rights for land plots in Moscow area in the amount of 512,565 (Note 10) as the settlement of those receivables.

In July 2019 the Group sold 100% share of subsidiary that owned this project to third party for cash consideration amounted to 620,000.

The table below sets the carrying values of disposed entity's assets and liabilities at the date of disposal:

	At the date of disposal
Development rights (Note 10)	512,565
Deferred tax assets	4,027
Taxes recoverable	103,450
Cash and cash equivalents	917
Net assets	**620,959**
Purchase consideration	620,000
Loss on disposal of subsidiary (Note 7.6)	959
Cash received from disposal of subsidiary, net of cash disposed	619,083

Disposal of other subsidiaries

In 2019, the Group sold 100% share of subsidiary with net assets at the date of disposal 4,611 to third party for consideration 10. Loss on disposal of subsidiary in the amount of 4,601 presented within other operating expenses (Note 7.6). Cash outflow from disposal of this subsidiaries, net of cash disposed amounted to 54.

In 2019, the Group sold 100% share of subsidiary to related party for consideration of 401,000.

The table below sets the carrying values of disposed entities' assets and liabilities at the dates of disposal:

	At the dates of disposal
Property, plant and equipment (Note 9)	47,792
Trade and other receivables	307,096
Loans receivable	69,270
Cash and cash equivalents	58,622
Deferred tax liabilities (Note 8)	(4,153)
Income and other taxes payable	(1,118)
Provisions (Note 23)	(216)
Contract liabilities (Note 22)	(50,129)
Trade and other payables	(23,702)
Net assets	**403,462**
Purchase consideration (cash received)	401,000
Loss on disposal of subsidiary (Note 7.6)	2,462
Cash received from disposal of subsidiaries, net of cash disposed	342,378

6. Investment in associates

The Group accounts for investments in associates under the equity method. The Group has 25% + 1 share in the entity that provides services to citizens of Ural Region of the Russian Federation. In June 2018, the Group recognized additions to its investments in associates due to cash contribution in the associate entity, the Group's share remained unchanged.

In 2019 the Group received dividends in the amount of 14,740 including tax on dividends in amount of 1,916.

(in thousands of Russian rubles)

6. Investment in associates (continued)

In 2019 the Group recognized contribution in recognized additional investments in amount of 10 that are represented by individually non-significant acquisitions of associates.

The effect on financial statements of movement of investment in the associate was as follows:

	For the years ended 31 December	
	2019	***2018***
Opening balance as at 1 January	**59,276**	**43,675**
Dividends income	(14,740)	–
Cash contribution	–	3,308
Additional investments	10	–
Share of (loss)/profit for the year	(5,505)	12,293
Closing balance at 31 December	**39,041**	**59,276**

The following table illustrates the summarized financial information of investment in associates located in Ural Region:

	31 December 2019	***31 December 2018 (Restated)***
Current assets	272,357	370,536
Non-current assets	33,751	35,448
Current liabilities	(149,984)	(168,881)
Share capital	(14,175)	(14,175)
Retained earnings	(141,949)	(222,928)
Group's share in equity	25%	25%
Group's carrying amount of the investment	39,031	59,276

	For the years ended 31 December	
	2019	***2018 (Restated)***
Revenue	1,279,385	1,102,141
Cost of sales	(1,214,547)	(1,047,408)
Other income and expenses	(87,486)	11,892
(Loss)/profit before tax	(22,648)	66,625
Income tax benefit/(expense)	629	(17,454)
(Loss)/profit for the year	(22,019)	49,171
Group's share of profit	(5,505)	12,293

7. Income and expenses

7.1 Revenues

Revenues include the following:

	For the years ended 31 December	
	2019	***2018***
Revenue from contracts with customers		
Sales of residential property	17,982,707	18,644,114
Barter revenue	–	59,869
Technical supervision services	152,589	97,442
Sale of heating, electricity and energy supply services	149,257	103,178
Other revenue	348,905	159,298
Total revenue from contracts with customers	**18,633,458**	**19,063,901**
Rental income	36,846	90,723
Total	**18,670,304**	**19,154,624**

(in thousands of Russian rubles)

7. Income and expenses (continued)

7.1 Revenues (continued)

Revenues from contracts with customers include the following:

	For the years ended 31 December	
	2019	2018
Revenue recognized over time		
Sales of residential property	10,006,737	11,707,355
Sale of heating, electricity and energy supply services	149,257	103,178
Technical supervision services	152,589	97,442
Total revenue recognized over time	**10,308,583**	**11,907,975**
Revenue recognized at point in time		
Sales of residential property	7,975,970	6,936,759
Barter revenue	–	59,869
Other revenue	348,905	159,298
Revenue recognized at point in time	**8,324,875**	**7,155,926**
Total revenue from contracts with customers	**18,633,458**	**19,063,901**

Revenue of each reportable segment, presented in the Note 27, mainly comprise of revenue from sales of residential property, except for the segment "Management Company" which revenue mainly comprise of rental income.

Sale of heating, electricity and energy supply services represents the revenue from transfer of electricity and heating energy from the provider of public facilities to third and related parties and revenue from connection of customers to public facilities networks.

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	For the years ended 31 December	
	2019	2018
Receivables, which are included in "Trade and other receivables"	619,620	300,643
Contract assets	408,123	355,198
Advances from customers (Note 22) included in "Contract liabilities"	8,243,122	5,815,529

The contract assets primarily relate to the Group enforceable right to payment for work performed as at reporting date. The contract assets are transferred to receivables when the rights become unconditional. The advances from customers represent cash payments received from customers and are included in the contract liabilities. Significant changes in the contract assets and the contract liabilities are described in Note 22.

The net aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of 31 December 2019 amounts to 7,834,999 (31 December 2018: 5,460,331) and is going to be recognized within subsequent one or two years.

7.2 Employee benefits, depreciation and amortization

Staff costs, depreciation of property, plant and equipment and amortization of intangible assets included in cost of sales, general and administrative expenses and other expenses amounted to the following:

	For the years ended 31 December	
	2019	2018
Staff costs, including social security taxes	1,109,053	837,755
- Payroll costs and other staff costs	*926,738*	*707,225*
- Social security taxes	*182,315*	*130,530*
Depreciation and amortisation	49,791	46,645

Staff costs capitalized as a part of additions to inventories amounted to 941,122 for the year ended 31 December 2019 (31 December 2018: 1,267,204).

An average annual number of employees for the year ended 31 December 2019 was 513 (31 December 2018: 574).

(in thousands of Russian rubles)

7. Income and expenses (continued)

7.3 Cost of sales

Cost of sales includes the following:

	For the years ended 31 December	
	2019	***2018 (Restated)***
Cost of sales of residential property	13,764,767	14,104,037
Cost of sales for rent	3,750	9,136
Other costs	415,002	222,657
Total	**14,183,519**	**14,335,830**

For the years ended 31 December 2019 and 2018, cost of sales of residential property contain non-cash cost related to capitalized development rights in the amount of 158,216 and 83,765 respectively.

7.4 General and administrative expenses

The structure of general and administrative expenses was the following:

	For the years ended 31 December	
	2019	***2018 (Restated)***
Staff costs, including social security taxes	616,100	486,662
Consulting	217,456	252,499
Security	42,770	64,151
Short-term leases and leases of low-value assets	31,850	94,482
Statutory audit	28,098	30,502
Repair and maintenance	23,286	17,956
Depreciation of property, plant and equipment	23,048	29,208
Telecommunications	21,562	23,203
Representation expenses	20,568	17,837
Other assurance services	16,894	14,584
Other professional services	14,567	15,678
Materials	14,114	31,615
Amortization of intangible assets	6,179	3,570
Utilities services	2,729	3,366
Tax services	1,167	3,107
Other	68,331	50,143
Total	**1,148,719**	**1,138,563**

In 2019 year the Group changed presentation of tax expenses (other than income tax) from General and administrative expenses to Other operating expenses.

7.5 Finance income and costs

The components of finance income were as follows:

	For the years ended 31 December	
	2019	***2018***
Interest on bank accounts and deposits	348,174	416,367
Interest on loans receivable	92,834	304,449
Income on unwinding of discount on receivables	34,247	40,380
Total	**475,255**	**761,196**

(in thousands of Russian rubles)

7. Income and expenses (continued)

7.5 Finance income and costs (continued)

The components of finance costs were as follows:

	For the years ended 31 December	
	2019	**2018 (Restated)**
Interest expense	2,079,150	1,831,349
Significant financing component under IFRS 15	591,593	424,936
Other financial expenses	27,443	7,871
Total	**2,698,186**	**2,264,156**

7.6 Other operating income and expenses

The components of other operating income were as follows:

	For the years ended 31 December	
	2019	**2018 (Restated)**
Gain on change of allowance for expected credit loss on trade and other receivables and other allowance on prepayments (Note 14, 15)	328,947	–
Gain on bargain purchase of subsidiary (Note 5.1)	376,201	–
Gain on derecognition of accounts payable	11,161	297,251
Gain on change of allowance for expected credit loss recognized on interest-bearing loans receivable	–	7,189
Gain on decrease of legal provision	–	6,780
Gain on sale of property plant and equipment	–	62,855
Penalty fees income	–	36,825
Other income	27,202	8,762
Total	**743,511**	**419,662**

The components of other operating expenses were as follows:

	For the years ended 31 December	
	2019	**2018 (Restated)**
Commercial expenses	1,193,656	944,438
Write-down of inventories to net realizable value (Note 13)	421,609	514,643
Taxes other than income tax	195,847	143,211
Maintenance of completed real estate property	166,130	125,764
Change in legal provision (Note 23)	161,170	–
Allowance for expected credit loss recognized on interest-bearing loans receivable (Note 12)	934	–
Allowance for expected credit loss on trade and other receivables and other allowance on prepayments (Note 14, 15)	–	113,532
Bank services	25,624	7,282
Charity	25,359	29,176
Penalties fees	23,024	7,188
Loss on sale and write-off of property plant and equipment	21,059	2,585
Loss on disposal of subsidiaries (Note 5.2)	8,022	11,048
Write-off of irrecoverable accounts receivable	4,401	3,968
Other expenses	89,376	74,618
Total	**2,336,211**	**1,977,453**

(in thousands of Russian rubles)

8. Income tax

Corporate tax

The Group's income was subject to tax at the following tax rates:

	2019	*2018*
The Russian Federation (ordinary rate)	20.00%	20.00%
The Republic of Cyprus	12.50%	12.50%

Major components of income tax benefit/(expense) for the years ended 31 December 2019 and 2018, were as follows:

	For the years ended 31 December	
	2019	*2018 (Restated)*
Income tax expense − current	(978,468)	(407,929)
Reversal of tax risks provision	201,181	104,004
Income tax for previous years, net	5	(22,572)
Dividend tax	7,496	(9,412)
Deferred tax benefit/(expense) − origination and reversal of temporary differences, net	820,300	(652,784)
Income tax benefit/(expense) reported in consolidated statement of profit or loss and other comprehensive income	**50,514**	**(988,693)**

The major part of income taxes is paid in the Russian Federation.

A reconciliation of income tax benefit/(expense) applicable to (loss)/profit before income tax using the Russian statutory tax rate to income tax expense as reported in the Group's consolidated financial statements for the years ended 31 December is as follows:

	For the years ended 31 December	
	2019	*2018 (Restated)*
(Loss)/profit before income tax	**(1,569,772)**	**1,518,312**
Profit/(loss) of companies taxable at income tax rate:		
20%	64,352	2,968,438
12.5%	(1,961,519)	(1,566,993)
0%	327,395	116,867
At the Russian statutory income tax rate of 20%	**313,954**	**(303,662)**
Deferred income tax (expense)/benefit resulting from reduction in tax rate	(8,259)	890
Effect of income exempt from tax (i)	181,297	57,061
Effect on gain from bargain purchase of subsidiary (Note 5.1)	75,240	–
Effect of non-deductible expenses	(484,934)	(446,651)
Effect of the difference in tax rates in countries other than the Russian Federation	(67,515)	(94,151)
Change in unrecognised deferred tax assets on tax losses carried forward	(185,101)	(274,200)
Benefit from a previously unrecognised deferred tax asset on temporary differences other than losses carried forward	17,150	–
Income tax benefit/(expense) for previous years	5	(22,572)
Dividend tax	7,496	(9,412)
Reversal of tax risks provision	201,181	104,004
Income tax benefit/(expense) reported in consolidated statement of profit or loss	**50,514**	**(988,693)**

(i) Included gain on disposal of qualifying titles (including shares, bonds, debentures etc.) that are exempt from Cyprus income tax.

(in thousands of Russian rubles)

8. Income tax (continued)

Corporate tax (continued)

Deferred income tax assets and liabilities and their movements during the year ended 31 December 2019 were as follows:

	31 December 2019	*Change recognised in statement of profit or loss*	*Disposal of subsidiaries (Note 5.2)*	*Acquisition of subsidiary (Note 5.1)*	*31 December 2018 (Restated)*
Deferred income tax assets					
Property, plant and equipment, intangible assets	149,838	20,176	(2,068)	–	131,730
Investment property	32,318	10,038	–	–	22,280
Inventory	1,019,519	206,979	–	–	812,540
Accounts receivable and loans receivable	49,771	23,051	(58)	–	26,778
Accounts payable and accruals	105,830	48,977	(135)	10	56,978
Tax losses carried forward	686,485	42,158	(6,258)	19,374	631,211
Other	17,149	(1,789)	(3)	493	18,448
Total deferred tax assets	**2,060,910**	**349,590**	**(8,522)**	**19,877**	**1,699,965**
Deferred income tax liabilities					
Property, plant and equipment, intangible assets	(42,921)	4,456	4,349	–	(51,726)
Investment property	(1,850,482)	162,267	–	–	(2,012,749)
Inventory	(692,052)	(56,123)	–	(129,213)	(506,716)
Accounts receivable and loans receivable	(52,700)	54,968	–	–	(107,668)
Accounts payable, contract liabilities and accruals	(1,709,748)	304,730	–	(121,273)	(1,893,205)
Other	(11,269)	412	–	–	(11,681)
Total deferred tax liabilities	**(4,359,172)**	**470,712**	**4,349**	**(250,486)**	**(4,583,745)**
Total deferred tax assets/(liabilities)	**(2,298,262)**	**820,300**	**(4,173)**	**(230,609)**	**(2,883,780)**
Represented by the following					
Net deferred income tax asset	681,597	68,409	(8,326)	–	621,514
Net deferred income tax liabilities	**(2,979,859)**	**751,891**	**4,153**	**(230,609)**	**(3,505,294)**

Deferred income tax assets and liabilities and their movements during the year ended 31 December 2018 were as follows:

	31 December 2018 (Restated)	*Change recognised in statement of profit or loss*	*Disposal of subsidiary*	*Acquisition of subsidiary*	*31 December 2017 (Restated)*
Deferred income tax assets					
Property, plant and equipment, intangible assets	131,730	(15,169)	(616)	–	147,515
Investment property	22,280	(14,900)	–	–	37,180
Inventory	812,540	327,259	(12,613)	22,768	475,126
Accounts receivable and loans receivable	26,778	(4,052)	(309)	–	31,139
Accounts payable and accruals	56,978	1,291	(130)	1,968	53,849
Tax losses carried forward	631,211	(62,772)	(37,525)	63,923	667,585
Other	18,448	(3,739)	(108)	9	22,286
Total deferred tax assets	**1,699,965**	**227,918**	**(51,301)**	**88,668**	**1,434,680**
Deferred income tax liabilities					
Property, plant and equipment, intangible assets	(51,726)	(59)	379	–	(52,046)
Investment property	(2,012,749)	169,022	–	–	(2,181,771)
Inventory	(506,716)	114,293	4,189	–	(625,198)
Accounts receivable and loans receivable	(107,668)	(31,817)	–	–	(75,851)
Accounts payable, contract liabilities and accruals	(1,893,205)	(1,130,926)	24,077	–	(786,356)
Other	(11,681)	(1,215)	7	–	(10,473)
Total deferred tax liabilities	**(4,583,745)**	**(880,702)**	**28,652**	**–**	**(3,731,695)**
Total deferred tax assets/(liabilities)	**(2,883,780)**	**(652,784)**	**(22,649)**	**88,668**	**(2,297,015)**
Represented by the following					
Net deferred income tax asset	621,514	(32,484)	(22,649)	88,668	587,979
Net deferred income tax liabilities	**(3,505,294)**	**(613,677)**	**–**	**–**	**(2,891,617)**

(in thousands of Russian rubles)

8. Income tax (continued)

Corporate tax (continued)

The following table discloses the breakdown between deferred tax from continuing and discontinued operations:

	31 December 2019	***31 December 2018 (Restated)***
Deferred tax assets	681,597	621,514
Deferred tax liabilities	(2,979,859)	(3,505,294)
Deferred tax liabilities, net	**(2,298,262)**	**(2,883,780)**

As at 31 December 2019, the balance of tax losses carried forward which is available for offset against future taxable profits, but for which deferred tax asset is recognised in the statement of financial position amounts to 3,432,423 (2018: 3,156,053). Deferred tax asset on unused tax losses in the amount of 2,163,822 (31 December 2018: 1,979,465) have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. For assessment of deferred tax assets recoverability where the utilization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences management of the Group used business plans prepared by the management for specific projects.

Taxable differences of 3,533,017 and 3,941,596 as of 31 December 2019 and 2018, respectively, were associated with investments in subsidiaries. At 31 December 2019 and 2018, the Group did not recognise any deferred tax liability in respect of these temporary differences, as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

There is no withholding tax on payments of dividends by the Company to non-resident shareholders or shareholders that are companies resident in Cyprus.

9. Property, plant and equipment

Property, plant and equipment consisted of the following:

	Land	***Buildings***	***Fittings and fixtures***	***Leasehold improvements and other equipment***	***Assets under construction***	***Total***
Cost						
Balance as at 31 December 2017	**1,968**	**240,172**	**787,595**	**197,403**	**57,386**	**1,284,524**
Additions	–	–	–	–	122,675	**122,675**
Disposals	–	(14,084)	–	(18,258)	–	**(32,342)**
Transfers	–	26,736	47,138	29,300	(103,174)	**–**
Transfer from inventory (Note 13)	–	5,691	–	(983)	–	**4,708**
Balance as at 31 December 2018	**1,968**	**258,515**	**834,733**	**207,462**	**76,887**	**1,379,565**
Additions	–	–	–	13,797	113,684	**127,481**
Disposals	–	(25,323)	–	(8,836)	(131)	**(34,290)**
Transfers	–		101,149	10,925	(112,074)	**–**
Disposal of subsidiaries (Note 5.2)	–	(54,884)	–	(792)	–	**(55,676)**
Balance as at 31 December 2019	**1,968**	**178,308**	**935,882**	**222,556**	**78,366**	**1,417,080**
Accumulated depreciation and impairment						
Balance as at 31 December 2017	**–**	**(31,638)**	**(519,045)**	**(122,299)**	**–**	**(672,982)**
Depreciation charge	–	(14,234)	(12,658)	(23,741)	–	**(50,633)**
Disposals	–	9,822	–	15,279	–	**25,101**
Transfer from inventory (Note 13)	–	–	–	973	–	**973**
Balance as at 31 December 2018	**–**	**(36,050)**	**(531,703)**	**(129,788)**	**–**	**(697,541)**
Depreciation charge	–	(10,356)	(10,479)	(28,268)	–	**(49,103)**
Disposals	–	5,645	–	6,416	–	**12,061**
Disposal of subsidiaries (Note 5.2)	–	7,092	–	745	–	**7,837**
Balance as at 31 December 2019	**–**	**(33,669)**	**(542,182)**	**(150,895)**	**–**	**(726,746)**
Net book value						
At 31 December 2018	**1,968**	**222,465**	**303,030**	**77,674**	**76,887**	**682,024**
At 31 December 2019	**1,968**	**144,639**	**393,700**	**71,661**	**78,366**	**690,334**

(in thousands of Russian rubles)

9. Property, plant and equipment (continued)

Fittings and fixtures represent electricity networks used by the Group to provide public facility services, buildings represent offices for employees.

Additions to construction in progress for the year ended 31 December 2019 in the total amount of 113,684 (31 December 2018: 122,675) were mainly represented by construction costs incurred on continued construction of utilities networks in the amount of 101,688 (31 December 2018: 87,281).

Additions to leasehold improvements and other equipment for the year 2019 in the total amount of 24,722 (2018: 29,300) were mainly represented by office equipments and cars in amount of 21,396 (2018: 26,444).

Interest (net of the interest reimbursed by the governmental bodies), capitalized as part of additions to property, plant and equipment, amounted to 21,183 in 2019 (2018: 17,096). The weighted average rate for the borrowings which were obtained for construction purposes (either in part, or in full) for the year ended 31 December 2019 equals 12.26% (2018: 12.87%).

Disposal of buildings for the year ended 31 December 2019 in the total amount of 19,678 (2018: 4,262) were mainly represented by write-off expenses on modernization of offices in Moscow due to moving to a new office.

In 2019 the Group sold 100% share of two its subsidiaries (Note 5.2). Net value of disposed property, plant and equipment consisted of buildings and other equipment in the amount of 47,839 (2018: nil).

Additions to buildings for the year 2018 in the total amount of 26,736 were mainly represented by expenditure on modernization of new offices in Moscow.

For the year ended 31 December 2019 the Group recognized depreciation charge of 49,103 (for the year ended 31 December 2018: 50,633).

10. Intangible assets other than goodwill

Intangible assets other than goodwill consisted of the following:

	Development rights	*Other*	*Total*
Cost			
Balance as at 31 December 2017	**1,714,298**	**11,604**	**1,725,902**
Additions	2,554,605	24,891	**2,579,496**
Disposals	(119,870)	(181)	**(120,051)**
Balance as at 31 December 2018	**4,149,033**	**36,314**	**4,185,347**
Additions (Note 5.2)	512,565	9,367	**521,932**
Acquisition of subsidiary (Note 5.1)	165,272	–	**165,272**
Disposals	(512,565)	(2,549)	**(515,114)**
Balance as at 31 December 2019	**4,314,305**	**43,132**	**4,357,437**
Accumulated amortization and impairment			
Balance as at 31 December 2017	**(165,711)**	**(7,594)**	**(173,305)**
Amortization charge	(170,753)	(3,570)	**(174,323)**
Disposals	119,870	181	**120,051**
Balance as at 31 December 2018	**(216,594)**	**(10,983)**	**(227,577)**
Amortization charge	(338,895)	(6,179)	**(345,074)**
Disposals	–	564	**564**
Balance as at 31 December 2019	**(555,489)**	**(16,598)**	**(572,087)**
Net book value as at 31 December 2018	**3,932,439**	**25,331**	**3,957,770**
Net book value as at 31 December 2019	**3,758,816**	**26,534**	**3,785,350**

Development rights are represented by permissions to use land for construction purposes received from certain number of individuals or local authorities free of charge in exchange for obligation to transfer them residential premises or constructed social objects, respectively. Carrying value of recognized development rights was determined as market value of residential premises / social objects to be transferred. Additions in the amount of 512,565 in 2019 represents the land lease rights transferred back to the Group as a result of settlement agreement (Note 5.2).

Amortization of development and leasehold rights in amount of 338,895 was included in the carrying amount of constructed property as at 31 December 2019 (31 December 2018: 170,753).

(in thousands of Russian rubles)

11. Investment properties

Investment property consisted of the following:

	2019	*2018*
Opening balance as at 1 January − investment property	**10,293,917**	**11,075,675**
Opening balance as at 1 January − investment property held for sale	**–**	**50,000**
Additions (subsequent expenditure)	235,171	180,426
Transfer to inventory (Note 13)	(56,709)	(1,758,533)
Disposal	(49,047)	(26,936)
Increase in fair value of investment property	(940,918)	773,285
Closing balance at 31 December − investment property	**9,452,414**	**10,293,917**
Closing balance at 31 December − investment property − held for sale	**30,000**	**–**

Interest capitalized as part of subsequent expenditure to investment properties amounted 105,299 and 71,828 for the years ended 31 December 2019 and 2018, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization in 2019 year was 11.27% (2018: 8.71%). The Group had income from rent of investment property of 6,517 and direct operating expenses arising from investment property that generated rental income of 1,551 in 2019 (2018: 6,824 and 1,877 respectively).

During the years ended 31 December 2019 and 2018, the fair value of investment property was primary determined based on valuation performed by an accredited independent appraiser, who holds recognised and relevant professional qualification and who has had recent experience in the locations and category of the investment property being valued.

As at 31 December 2019, the Group had an intention to sell land plots in Ural Region of the Russian Federation. Therefore, the Group transferred following land plots to the Investment property held for sale, the fair value of the assets was measured based on the expected sale price of 30,000, respectively.

The fair value of investment property was determined using the income approach and/or the sales comparison approach. The income approach is based on the assumption that the value of the property is conditional on the future benefits that the property will bring the owner within a certain period of time, and the risks associated with receiving the benefits. The sales comparison approach is based on comparative analysis of actual sales and/or asking prices for comparable properties.

Investment property fair values relate to the Level 3 of fair value hierarchy. Fair value hierarchy disclosures for investment properties have been provided in Note 26.

Description of valuation techniques used and key inputs to valuation on investment properties

The Group used income and comparable approaches for valuation of investment property.

Below are the major projects of the Group and description of valuation techniques for each as at 31 December 2019 and 2018. The investment properties are represented by the land plots for project of Complex Territories Development (CTD) in Ural Region of the Russian Federation.

Project of CTD in Ural Region of the Russian Federation had the fair value of investment property of 9,043,820 and 95.37% share in total consolidated value of investment property as of 31 December 2019 (31 December 2018: 9,844,822 and 95.64% respectively).

Unobservable inputs for project for the year ended 31 December 2019 were as follows:

Description	*Methods of assessment*	*Unobservable inputs for project*	*Range (weighted average)*	*Sensitivity of the fair value to the inputs*
Land plots	Income approach, discounted cash flow method	Discount rate for investor's cash flows	19.00%	Increase of investor's cash flows discount rate to 1.00%, 2.00% and 3.00% would decrease fair value by 530,000, 1,037,000 and 1,523,000
		Discount rate for developer's cash flows	25.00%	Increase of developer's discount rate to 1.00%, 2.00% and 3.00% would decrease fair value by 242,000, 468,000 and 681,000
		Annual change of sales price for residential areas	5.00%, 4.00%, 4.00%, 4.000%	Annual change of sales price for residential areas by 3.00%, 3.00%, 4.00%, 4.00% would decrease fair value by 1,215,000
		Maximum sales volume of apartments	230,000 sq.m. per annum	Decrease of sales volume of apartments from 230,000 down to 200,000-150,000 sq.m. per annum would decrease fair value by 468,000-2,359,000 respectively.

(in thousands of Russian rubles)

11. Investment properties (continued)

Description of valuation techniques used and key inputs to valuation on investment properties (continued)

Unobservable inputs for project for the year ended 31 December 2018 were as follows:

Description	*Methods of assessment*	*Unobservable inputs for project*	*Range (weighted average)*	*Sensitivity of the fair value to the inputs*
Land plots	Income approach, discounted cash flow method	Discount rate for investor's cash flows	19.00%	Increase of investor's cash flows discount rate to 1%, 2% and 3% would decrease fair value by 600,000, 1,175,000 and 1,726,000
		Discount rate for developer's cash flows	25.00%	Increase of developer's discount rate to 1%, 2% and 3% would decrease fair value by 237,000, 461,000 and 671,000
		Annual change of sales price for residential areas	4.00%, 4.00%, 4.00%, 4.00%	Annual change of sales price for residential areas by 3%, 3%, 4%, 4% would decrease fair value by 809,000
		Sales volume of land plot	0.55-0.5 and 0.50-0.40	Decrease of sales volume of land plot down to 0.35-0.45 and 0.40-0.50 land plot per annum would decrease fair value by 557,000-242,000 kRUR and 333,000-65,000 kRUR respectively. Increase of sales volume of land plot up to 0.55 land plot per annum would increase fair value by 37,000 kRUR

Significant increases/(decreases) in price adjustments to the comparable plots and discount rate in isolation would result in a significantly higher/(lower) fair value of the properties.

12. Interest-bearing loans receivable

Current and non-current interest-bearing loans receivable were as follows as of:

	Effective interest rate 2019	*31 December 2019*	*Effective interest rate 2018*	*31 December 2018*
Non-current loans receivable				
Loans receivable from third parties at amortized cost (a)	3.52-3.90%	155,906	–	–
Loans receivable from third parties at FVPL	–	–	9.00%	6,894
Loans receivable from related parties at FVPL (b) (Note 24)	7.00-13.02%	1,085,262	12.50-13.02%	510,331
Total non-current loans receivable		**1,241,168**		**517,225**
Current loans receivable				
Loans receivable from third parties at amortised cost	5.50-6.00%	5,107	5.50%	893
Loans receivable from related parties at FVPL (Note 24)	8.20%	110,761	8.20%	102,561
Loans receivable from third parties at FVPL (c)	8.75-9.00%	1,012,411	19.00-24.00%	163,089
Total current loans receivable		**1,128,279**		**266,543**

(a) As of 31 December 2019, non-current loans receivable from third parties at amortized cost in amount of 155,906 (as of 31 December 2018: nil) include promissory notes issued by Russian banks with repayment in 2021-2022. Promissory note in the amount of 35,095 were pledged as a collateral for loans and borrowings (Note 18). The promissory note in the amount of 120,077 was pledged as a collateral for loans and borrowings received in January 2020.

(b) In December 2019, the Group provided loans to related party in the amount of 619,000 maturing in 2021-2025.These loans were recognized at fair value on initial recognition based on the market rate of interest for similar loans at the date of issue, equalled to 12.23%. The difference between the fair value and the nominal value of the loan was recorded as distribution to shareholders in the consolidated statement of changes in equity of the Group and amounted to 102,991 (Note 17). These loans receivable outstanding amount is equal to 517,656 including accrued interest as at 31 December 2019. As of 31 December 2019, the Group recognized loans receivable from other related party in the amount of 567,606 (as of 31 December 2018: 510,331) maturing in 2024.

(c) In October 2019, the Group issued loans to third parties as part of transaction of acquisition of subsidiary and NCI in amount of 988,690 with interest rate 8.75%. The redemption of loans is expected after the obligation for acquisition of subsidiary would be settled. As of 31 December 2019 these loans receivable amount to 1,004,897.

(in thousands of Russian rubles)

12. Interest-bearing loans receivable (continued)

As of 31 December 2019, a loan receivable from third parties accounted for at FV was impaired in amount of 103,768. The Group netted these expenses with gain from reversal of allowance on other receivable due to its settlement (Note 7.6 Other operating income) as balances related to one transaction.

For the year ended 31 December 2019 allowance for expected credit loss recognized on loans receivable from third parties accrued in the amount of 934 (Note 7.6 Other operating expenses). For the year ended 31 December 2018 gain on change of allowance for irrecoverable loans receivable amounted to 7,189 (Note 7.6 Other operating income).

13. Inventories

Inventories consisted of the following as of:

	31 December 2019	*31 December 2018 (Restated)*
Inventory properties under construction		
- at cost	17,903,951	14,826,748
- at net realizable value	205,031	287,697
Constructed inventory properties		
- at cost	8,434,905	8,711,095
- at net realizable value	1,357,447	1,856,906
Other inventory, at cost	24,256	16,392
Total	**27,925,590**	**25,698,838**
Including:		
- Current	26,505,610	24,278,858
- Non-current	1,419,980	1,419,980

Inventories are classified as current when the following conditions are met: i) construction is ongoing; ii) the completion and the sale of the asset is anticipated to occur in near future and as part of the normal construction period, which is longer than one calendar year, and no significant delays in construction are expected. Otherwise, the inventory is classified as non-current.

As of 31 December 2019 and 2018, non-current inventory mainly represents one of the Group's construction projects, which is currently suspended due to the change of construction plans.

As of 31 December 2019 and 2018, the cumulative write-down to net realizable value in respect of inventories amounted to 1,924,781 and 1,872,424 respectively.

A summary of movement in inventories is set out in the table below:

	31 December 2019	*31 December 2018*
Opening balance at 1 January (audited)	**26,123,301**	**20,528,608**
Opening balance adjustment	(424,463)	(262,993)
Opening balance at 1 January (restated)	**25,698,838**	**20,265,615**
Construction costs incurred	13,845,505	12,443,743
Acquisition of subsidiary (Note 5.1)	2,350,830	–
Purchase of inventory (Note 5.1)	–	5,499,761
Other costs incurred	111,958	65,957
Interest capitalized	154,518	388,067
Transfer to property, plant and equipment	–	(5,681)
Transfer from investment property (Note 11)	56,709	1,758,533
Write-down to net realizable value (Note 7.6)	(421,609)	(514,643)
Disposals (recognized in cost of sales of residential property) (Note 7.3)	(13,764,767)	(14,119,064)
Disposals (recognized in cost of other sales and other expenses)	(106,392)	(83,450)
Closing balance at 31 December	**27,925,590**	**25,698,838**

The weighted average rate used to determine the amount of borrowing costs eligible for capitalization for the year ended 31 December 2019 was 12.26% (31 December 2018: 12.83%).

(in thousands of Russian rubles)

14. Trade and other receivables

Trade and other receivables in current assets consisted of the following as at:

	31 December 2019	*31 December 2018*
Trade accounts receivable due from third parties	515,177	271,667
Trade accounts receivable due from related parties (Note 24)	104,443	28,976
Other accounts receivable due from third parties	290,716	1,014,669
Other accounts receivable due from related parties (Note 24)	498,181	351,890
Allowance for expected credit losses	(158,906)	(710,127)
	1,249,611	**957,075**

See table below for the allowance for expected credit losses on trade and other receivables:

	31 December 2019	*31 December 2018*
At 1 January	**710,127**	**632,977**
Provision for expected credit loss for the reporting year (Note 7.6)	34,800	62,812
Reversal (Note 7.6)	(492,771)	(4,280)
Utilised	(93,250)	(6,340)
Foreign exchange differences	–	24,958
At 31 December	**158,906**	**710,127**

The significant changes in the balances of trade receivables and contract assets are disclosed in Note 7.1 while the information about the credit exposures are disclosed in Note 26.

Reversal of provision in 2019 was recognised due to settlement of outstanding receivables. Previously, expected credit loss was accounted for on these receivables due to low probability of colleting outstanding amounts based on performed analysis over financial position of the debtors.

Trade and other receivables in non-current assets represent mainly the trade receivables from third parties for the sale of residential property.

15. Prepayments

Prepayments consisted of the following as at:

	31 December 2019	*31 December 2018*
Prepayments made to third parties	1,338,324	1,049,652
Prepayments made to related parties (Note 24)	297,575	221,527
Impairment loss	(122,707)	(104,540)
	1,513,192	**1,166,639**

See below for the movements in the provision for impairment of prepayments:

	31 December 2019	*31 December 2018*
At 1 January	**104,540**	**84,758**
Charge for the year (Note 7.6)	27,631	65,274
Reversal (Note 7.6)	(2,375)	(10,274)
Utilised	(7,089)	(35,218)
At 31 December	**122,707**	**104,540**

(in thousands of Russian rubles)

16. Cash and cash equivalents

Cash and cash equivalents consisted of the following as of:

	31 December 2019	*31 December 2018*
Cash	4,592,137	5,788,601
Short-term deposits	–	839,883
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**4,592,137**	**6,628,484**

Cash on escrow accounts (supplementary information)

The cash on escrow accounts as at 31 December 2019 in the amount of 878,065 (31 December 2018: nil), which are not reflected in the cconsolidated sstatement of financial position of the Group, represent funds, received by authorized bank from the buyers of the residential properties as the settlement of the share participation agreements obligations.

In accordance with the Federal Law № 214-FZ that came in effect as at 1 July 2019, the financing provided by the customers under share participation agreements is accumulated first at the authorized banks' accounts. The developer has no longer access to these funds but can obtain bank loans that are secured by those funds at the lower interest rates. The access to these funds is obtained by the developer only upon the completion of the residential property object. The developer reflects those funds off balance.

17. Equity

Total number of outstanding shares is comprised of the following:

Authorized, issued and fully paid	*Number of shares*	*Share capital*
At 31 December 2018	6,786,305	211,941
At 31 December 2019	6,786,305	211,941

In June 2018, one of the Group subsidiaries declared dividends for the year 2017. The amount of dividends attributable to a non-controlling party equalled 5,822. As of the date of these financial statements the dividends were cancelled.

In March 2018, the Group declared issue of share capital by creation of one hundred ordinary shares of $1 each (equivalent 6 kRUR) with a premium of $105,102.6 per share and price of $10,510.26 (equivalent 596,994 kRUR). The share capital increase was fully paid on 19 June 2018 in Russian rubles.

In August 2018, the Group purchased a 3% share in its subsidiary for the consideration of 41,232 (20,616 were paid in 2018 and the same amount in 2019) and thus the company became a wholly-owned subsidiary of the Group. That fact has been reflected in in the consolidated statement of changes in equity of the Group in the amount of 565,505.

In March 2018, the Group provided a loan to an entity under common control maturing in February 2023. This loan was recognized at fair value on initial recognition based on the market rate of interest for similar loans at the date of issue, the difference between the fair value and the nominal value of the loan was recorded as distribution to shareholders in the consolidated statement of changes in equity of the Group and amounted to 16,113 as of 31 December 2018. In 2019 due to partial repayment of the loan the Group recognised capital contributions from shareholder in the amount of 8,063. The loan receivable outstanding amounted to 504,461 as at 31 December 2019 (31 December 2018: 510,331).

In December 2019, the Group provided loans to related party maturing in 2021-2025 (Note 12). This loans were recognized at fair value on initial recognition based on the market rate of interest for similar loans at the date of issue, the difference between the fair value and the nominal value of the loan was recorded as distribution to shareholders in the consolidated statement of changes in equity of the Group and amounted to 102,991. These loans receivable outstanding amount is equal to 517,656 as at 31 December 2019.

In previous period, the Group borrowed funds from an entity under common control maturing in December 2022. These borrowings were recognized at fair value on initial recognition based on the market rate of interest for similar loans at the date of issue, the difference between the fair value and the nominal value of the loan was recorded as contribution from shareholders in the consolidated statement of changes in equity of the Group and amounted to 50,799 as of 31 December 2018.

(in thousands of Russian rubles)

18. Interest-bearing loans and borrowings

The Group had the following interest-bearing loans and borrowings as at 31 December 2019 and 2018:

	Effective interest rate 2019	*31 December 2019*	*Unused borrowing facilities*	*Effective interest rate 2018*	*31 December 2018*	*Unused borrowing facilities*
Non-current interest-bearing loans and borrowings						
Loans and borrowings from third parties	10.55-14.38%	2,969,791	5,395,619	10.68-13.25%	3,233,225	4,466,266
Loans and borrowings from related parties (Note 24)	5.25%	69,270	–	14.38%	143,924	–
Total non-current interest-bearing loans and borrowings		**3,039,061**	**5,395,619**		**3,377,149**	**4,466,266**
Current portion of non-current interest-bearing loans and borrowings						
Loans and borrowings from third parties	10.55-11.25%	1,796,067	–	11.63-12.08%	1,240,499	–
Total current portion of non-current interest-bearing loans and borrowings		**1,796,067**	**–**		**1,240,499**	**–**
Current interest-bearing loans and borrowings						
Loans and borrowings from third parties	–	–	–	10.68-12.08%	18,286	–
Total current interest-bearing loans and borrowings		**–**	**–**		**18,286**	**–**
Total interest-bearing loans and borrowings		**4,835,128**	**5,395,619**		**4,635,934**	**4,466,266**

Compliance with covenants

According to loan agreements terms, the companies of the Group are required to comply with debt covenants. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness. The Group complied with all covenants as at 31 December 2019 and 2018.

Pledged assets

As at 31 December 2019 inventory with the carrying value of 6,799,862 (31 December 2018: 7,870,630) and property, plant and equipment with the carrying value of nil (31 December 2018: 6,322) are pledged as a collateral for loans and borrowings.

The Group had promissory note with a carrying value of 35,095 at 31 December 2019 (31 December 2018: nil) are pledged as a collateral for loans and borrowings.

As at 31 December 2019 and 2018, the Group had pledged shares in its subsidiaries:

As at	*Share of pledged subsidiaries in the total consolidated assets of the Group*	*Share of pledged subsidiaries in the total consolidated revenue of the Group*	*Net assets of pledged subsidiaries (including intra-group balances)*
31 December 2018	43.58%	45.62%	20,817,402
31 December 2019	41.99%	54.19%	21,417,551

(in thousands of Russian rubles)

19. Debt securities issued

In February 2018, the Group announced the interest rate for the fourth, fifth and sixth coupon periods for the sixth tranche of bonds amounting to 9.0% p.a. Bonds in the total number of 432,481 were presented for redemption on 22 February 2018, the date of buy-back option, at their par value of 1,000 ruble each for 432,481. The period of bonds circulation was extended till 22 August 2019, when the Group fully redeemed bonds in amount of 2,567,519.

In May 2018, the Group announced the interest rate for the tenth, eleventh and twelfth coupon periods for the third tranche of bonds amounting to 10.45% p.a. Bonds in the total number of 537,220 were presented for redemption on 22 May 2018, the date of buy-back option, at their par value of 1,000 ruble each for 537,220. The period of bonds circulation was extended till 19 November 2019. Bonds in the total number of 2,446 were presented for redemption in November 2019 at their par value of 1,000 ruble each for 2,446. The Group announced the interest rate for the next three coupon periods amounting to 11.50% p.a. for unpurchased bonds and the period of bonds circulation was extended till 20 May 2021. As of 31 December 2019 the balance of debt securities of third tranche was 2,020,876.

The value of debt securities of fifth tranche as of 31 December 2019 was 1,002,495, the expected maturity date is 18 June 2021.

In 2017, the Group issued the seventh, eighth and ninth tranches of 10 billion rubles denominated bonds with a par value of 1,000 rubles each. These securities were issued at par value, mature in 2020-2022, bear interest rate of 11.00-13.50% per annum, payable semi-annually, and were guaranteed by the Company. Debt issuance costs paid by the Group in relation to the arrangement of sevenths, eighths and ninths issues of bonds in the amount of 69,119 represented agent commission and arrangement costs. In April 2019 debt securities of the seventh issue in the total number 511,944 were partially repurchased from the market at their par value of 1,000 ruble each for 511,944. The Group announced the interest rate amounting to 12.0% p.a. for unpurchased bonds and period of bonds circulation was extended till 1 April 2022. As of 31 December 2019 the balance of debt securities of seventh, eighth and ninth tranches was 6,002,119.

In August 2019 the Group issued the tranches of ruble-denominated bonds in total amount of 3.5 billion with a par value of 1,000 rubles, maturity in 2022-2025, coupon rate of 12.00% per annum, payable semi-annually and secured by the Company's guarantee. Debt issuance costs paid by the Group in relation to the arrangement of bonds issue amounted to 17,938. As of 31 December 2019 the balance of debt securities of tenth and eleventh tranches was 3,642,803.

As of 31 December 2019, debt securities of the third, fourth, sixth, seventh and eight issue in the total number of 4,104,756 amounting to 4,104,756 at amortized cost (31 December 2018: 3,084,561) were repurchased by the Group's subsidiaries.

20. Trade and other payables

Trade and other payables consisted of the following as of:

	31 December 2019	***31 December 2018***
Trade accounts payable due to third parties	2,049,352	1,437,219
Trade accounts payable due to related parties (Note 24)	16,603	84,817
Other accounts payable due to third parties	1,703,944	536,223
Other accounts payable due to related parties (Note 24)	304,939	29,417
Bonus accrual	82,205	71,463
Unused vacation accrual	138,521	129,970
	4,295,564	**2,289,109**

Other accounts payable due to third parties included amounts payable for acquisition of subsidiary and non-controlling interest in the amount of 894,791 as of 31 December 2019 (Note 5.1).

(in thousands of Russian rubles)

21. Other liabilities

Other liabilities consisted of the following as of:

	31 December 2019	***31 December 2018***
Non-current financial liabilities		
Liabilities for permitted use of land alteration (a)	1,237,341	1,589,735
Liabilities for purchasing of land lease rights and assets (b)	607,466	607,466
Lease liabilities (Note 3.1)	368,008	−
Contingent consideration liability (c)	328,407	−
Lease obligations under IAS 17	−	1,231
	2,541,222	**2,198,432**
Current financial liabilities		
Liabilities for permitted use of land alteration (b)	624,754	600,495
Lease liabilities − current portion (Note 3.1)	224,813	−
Lease obligations under IAS 17− current portion	−	7,402
Other current liabilities	24,105	29,881
	873,672	**637,778**

(a) In 2019 and previous years, the Group purchased subsidiary with permitted use of land to land for residential construction for the one of its project resulted in payables for that change in permission to local authorities. The Group had non-current financial liability for 1,237,341 and current financial liability of 624,754 (31 December 2018: 1,589,735 and 600,495).

(b) As of 31 December 2019 and 2018, the Group had outstanding non-current financial liabilities in respect of the purchase of new CTD project (purchase of asset performed in 2015 in amount of 607,466).

(c) In 2019 the Group purchased non-controlling interest (Note 5.1), associated contingent consideration liability amounted to 328,407 as of 31 December 2019.

22. Contract assets and liabilities

At 31 December 2019 and 2018, contract liabilities in the amount of 8,243,122 and 5,815,529 respectively, mainly related to advance payments received from individuals and legal entities for residential properties.

Contract liabilities consisted of the following as of:

	31 December 2019	***31 December 2018***
Non-current non-financial contract liabilities		
Liabilities for investment contracts with local authorities (a)	1,234,285	1,234,285
Liabilities for construction of social objects (b)	−	195,661
	1,234,285	**1,429,946**
Current non-financial contract liabilities		
Advances from Customers − third parties	8,243,120	5,808,393
Advances from Customers − related parties	2	7,136
Liabilities for investment contracts with local authorities (a)	15,283	36,180
Liabilities for construction of social objects (b)	195,661	−
	8,454,066	**5,851,709**

(a) The Group concluded a number of investment contracts with local authorities for development and constructions of residential districts. According to these investment contracts, the Group is required to provide apartments to individuals or construct social objects and transfer them to local authorities. Current non-financial liabilities represent liabilities of the Group for provision of apartments and social objects under these investment contracts in amount of 15,283 and 36,180 as of 31 December 2019 and 2018, respectively. Decrease in these current non-financial liabilities in 2019 is related to transfer of apartments in projects to individuals and social objects to local authorities. Non-curent non-financial liability represents provision for construction of social objects under investment contract of new CTD project in the amount of 1,234,285 as of 31 December 2019 and 2018.

(b) In 2017, the Group concluded a contract with local authorities for construction of social objects such as park, kindergarten, sports ground and a monument as a part of the further project in Ural Region development. As of 31 December 2019, the Group had outstanding non-current contract liability of nil and current non-financial liability of 195,661 (31 December 2018: 195,661 and nil) according to this contract.

(in thousands of Russian rubles)

22. Contract assets and liabilities (continued)

See below for the movements in contract assets and contract liabilities:

	2019		*2018*	
	Contract assets	***Contract liabilities***	***Contract assets***	***Contract liabilities***
At 1 January	**355,198**	**(7,281,655)**	**377,520**	**(7,919,076)**
Revenue recognised that was included in contract liability balance at the beginning of the year	–	4,603,939	–	5,731,889
Increases due to cash received,excluding amounts recognized as revenue during the year	–	(5,184,599)	–	(4,830,381)
Increases due to acquisition of subsidiary (Note 5.1)	104,225	(1,634,126)	–	–
Decreases due to disposal of subsidiary (Note 5.2)	–	50,129	–	–
Recognition of financial component	–	(262,937)	–	(335,441)
Decrease of other contract liabilities (a), (b)	–	20,897	–	71,354
Payments received from individuals and legal entities for residential properties	(264,480)	–	(350,548)	–
Recognition of contract assets	213,180	–	328,226	–
At 31 December	**408,123**	**(9,688,351)**	**355,198**	**(7,281,655)**

23. Provisions

Provisions consisted of the following:

	Onerous contracts	***Legal claims***	***Construction of social objects***	***Provision for completion construction works***	***Total***
At 31 December 2017	**15,026**	**12,443**	**50,137**	**–**	**77,606**
Accrued	1,191	5,547	–	45,651	**52,389**
Utilized	(2,651)	(1,492)	(50,137)	–	**(54,280)**
Unused amounts reversed	(13,566)	(12,327)	–	–	**(25,893)**
At 31 December 2018	**–**	**4,171**	**–**	**45,651**	**49,822**
Accrued	–	176,361	–	–	**176,361**
Utilized	–	(2,130)	–	(40,701)	**(42,831)**
Unused amounts reversed	–	(15,191)	–	–	**(15,191)**
Disposal of subsidiary (Note 5.2)	–	(216)	–	–	**(216)**
At 31 December 2019	**–**	**162,995**	**–**	**4,950**	**167,945**

In 2019 the Group recognised provision for legal claims in the amount 149,205 represented by amount of legal claims on repair of hot water supplies in residential district in Yekaterinburg.

In 2018, in projects that were put into operation the Group concluded contracts for works to be implemented in 2019 and the respective provision was accrued in the amount of 45,651 as of 31 December 2018. During 2019 provision was used and amounted to 4,950 as of 31 December 2019.

Provision for construction of social objects in the amount of 50,137 accrued in 2017 related to constructive obligation for construction of kindergarten and represent costs to be incurred in the future periods to finish the construction works. During 2018 provision was used and amounted to nil as of 31 December 2018.

In 2017 the Group concluded onerous contracts for sale of commercial property and parking places in several projects. During 2018 the provision for onerous contracts was used. The respective provision as at 31 December 2019 and 31 December 2018 amounted to nil.

(in thousands of Russian rubles)

24. Balances and transactions with related parties

Related parties may enter into transactions which unrelated parties might not enter into, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties. The management considers that the Group has appropriate procedures in place to identify and properly disclose transactions with the related parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as at 31 December 2019 and 2018 are detailed below:

31 December 2019	***Interest-bearing loans receivable at FVPL***	***Trade and other receivables***	***Prepayments***	***Interest-bearing loans and borrowings***	***Trade and other payables, other liabilities***	***Advances received***
Associates	–	3,328	61,482	–	15,318	–
Shareholder	341,741	307	–	–	–	–
Other related parties	854,282	598,989	236,093	69,270	306,224	2
Total	**1,196,023**	**602,624**	**297,575**	**69,270**	**321,542**	**2**

31 December 2018	***Interest-bearing loans receivable at FVPL***	***Trade and other receivables***	***Prepayments***	***Interest-bearing loans and borrowings***	***Trade and other payables, other liabilities***	***Advances received***
Associates	–	618	61,482	–	20,267	1,932
Shareholder	–	1,005	–	–	–	–
Entities under common control	612,892	379,243	160,045	143,924	93,967	5,204
Total	**612,892**	**380,866**	**221,527**	**143,924**	**114,234**	**7,136**

For the year ended 31 December 2019	***Revenue***	***Finance income***	***Costs***	***Finance costs***	***Other income/ (expenses)***	***Purchases***
Associates	40,690	–	18,478	–	(38,855)	–
Shareholder	229	668	–	424	18,350	–
Other related parties	234,892	59,996	36,419	2,281	3	37
Total	**275,811**	**60,664**	**54,897**	**2,705**	**(20,502)**	**37**

For the year ended 31 December 2018	***Revenue***	***Finance income***	***Costs***	***Finance costs***	***Other expenses***	***Purchases***
Associates	28,698	–	22,796	–	(44,406)	637
Shareholder	263	–	–	–	–	–
Entities under common control	406,473	67,033	16,708	24,382	(1,941)	256,816
Total	**435,434**	**67,033**	**39,504**	**24,382**	**(46,347)**	**257,453**

As at 31 December 2018 entities under common control were the companies which were under direct or indirect control of the ultimate controlling party in 2018. As at 31 December 2019 all the entities referred as other related parties are the entities under control of one of the shareholders of the Group who has significant influence over the Group. The balances with related parties as at 31 December 2019 and 2018, are unsecured and settlement occurs in cash. Loans and borrowings are interest bearing, while trade receivables, cash and advances granted are not interest bearing. The terms of the transactions are disclosed in other corresponding Notes. There have been no guarantees provided or received for any related party receivables or payables.

(in thousands of Russian rubles)

24. Balances and transactions with related parties (continued)

Compensation to key management personnel

Key management personnel include top managers of the Group and major subsidiaries.

Total compensation to key management personnel was included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income and consisted of short-term employee benefits:

	31 December 2019	*31 December 2018*
Salary	275,647	282,812
Performance bonuses	270,546	320,859
Other compensations	9,641	5,138
Social security taxes	88,635	20,879
Total	**644,469**	**629,688**

25. Contingencies, commitments and operating risks

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 upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2019, the Russian economy continued to be negatively impacted by a volatility in oil prices and sanctions imposed on Russia by a number of countries. The ruble interest rates remained high. The combination of the above resulted in 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.

Taxation

The Russian tax and currency legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods in the Russian Federation 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.

Separately, new deoffshorization rules, which came into force starting 1 January 2015, may have significant influence on tax consequences of the Group and should be mentioned. In accordance with these rules the Russian tax authorities have right to challenge application of the double tax treaty benefits (beneficial ownership concept) and define foreign companies as the Russian tax residents if these companies are effectively managed from Russia. These amendments as well as the introduction of taxation of controlled foreign companies and the concept of taxation of capital gains from indirect sale of property-rich companies may have significant negative impact on interpretation of different transactions performed by the Group.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities.

The Group estimated that as of 31 December 2019 it had possible obligations from exposures to various tax risks primarily related to new deoffshorization rules, financing and investment arrangements of the Group's companies. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and its practical application in the Russian Federation. In some instances, court practice, which was previously positive for the taxpayers, has changed to negative.

Uncertainties in interpretation of applicable legislation and its practical application in Russian Federation may also lead to possible non-recoverability of certain tax assets. Russian members of our Group may be affected by this development of tax practice, which could have a significant effect on the Group's financial condition and results of operations.

(in thousands of Russian rubles)

25. Contingencies, commitments and operating risks (continued)

Insurance policies

The Group holds insurance policies in relation to its assets, covering a number of cases such as accidents, fire, wrongful actions, force majeure, etc., as well as insurance policies covering vehicles and voluntary medical insurance of employees of the Group's entities.

Contractual commitments

The Group has signed a number of contracts for the construction works as of 31 December 2019. The Group had firm contractual commitments for the construction works for an approximate amount of 10,349,486 (including VAT) as at 31 December 2019 (31 December 2018: 6,216,770).

However, many of the contracts provide for payments stage-wise based on specifically agreed cost per stage. It is not practicable to measure the amount of these purchase commitments, though they constitute significant amount and concern most of the construction and investment projects of the Group.

Legal proceedings

The Group is involved in a number of legal proceedings. All legal proceedings which, individually or in aggregate, may have a significant effect on the Group's financial operations or financial position, have been accrued in these consolidated financial statements (Note 23).

The Group is also involved in legal proceedings with the total maximum possible risk estimated at 50,679 as at 31 December 2019 (31 December 2018: 21,039).

26. Financial risk management objectives and policies

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and loans receivable.

To manage credit risk related to cash, the Group maintains its available cash in reputable Russian banks. Management periodically reviews the creditworthiness of the banks in which it deposits cash.

There are no significant concentrations of credit risk within accounts receivable balances of the Group, as the Group requires prepayments from the major part of its customers.

Additionally, since 1 July 2019 there is introduced escrow system in Russia for real estate deals. The use of escrow system reduce credit risk of the Group as is strongly regulated by government and banks.

The maximum exposure to credit risk is equal to the carrying amount of financial assets, without taking into account of any collateral held or other credit enhancements, which is disclosed below.

	31 December 2019	*31 December 2018*
Non-current assets		
Interest-bearing loans receivable at amortized cost	155,906	–
Interest-bearing loans receivable at FVPL	1,085,262	517,225
Non-current receivables	61,638	100,059
Total non-current assets	**1,302,806**	**617,284**
Current assets		
Cash and cash equivalents	4,592,137	6,628,484
Interest-bearing loans receivable at amortized cost	5,107	893
Interest-bearing loans receivable at FVPL	1,123,172	265,650
Contract assets	408,123	355,198
Trade and other receivables	1,249,611	957,075
Total current assets	**7,378,150**	**8,207,300**

(in thousands of Russian rubles)

26. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group prepares monthly budgets which ensure that the Group has sufficient cash to meet expected operational expenses, financial obligations and investing activities for a period of 30 days. In addition, the Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs.

The Group developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

All of the Group's financial liabilities represent non-derivative financial instruments. The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

31 December 2019

	Less than 12 months	*1-3 years*	*3-5 years*	*More than 5 years*	*Total*
Non-interest bearing debt					
Trade and other payables	4,065,674	–	–	–	**4,065,674**
Lease liabilities	234,947	352,300	144,812	2,941	**735,000**
Other liabilities	24,105	414,000	1,796,875	–	**2,234,980**
Interest bearing debt					
Other liabilities	646,622	1,050,845	454,083	–	**2,151,550**
Interest-bearing loans and borrowings	2,220,122	2,707,361	804,781	–	**5,732,264**
Debts securities issued	5,921,983	9,254,311	–	–	**15,176,294**
Total	**13,113,453**	**13,778,817**	**3,200,551**	**2,941**	**30,095,762**

31 December 2018

	Less than 12 months	*1-3 years*	*3-5 years*	*More than 5 years*	*Total*
Non-interest bearing debt					
Trade and other payables	2,079,891	–	–	–	**2,079,891**
Other liabilities	74,786	–	1,796,875	–	**1,871,661**
Interest bearing debt					
Other liabilities	584,208	1,072,054	940,696	–	**2,596,958**
Interest-bearing loans and borrowings	1,578,180	3,043,664	986,688	–	**5,608,532**
Debts securities issued	6,614,959	8,881,581	–	–	**15,496,540**
Total	**10,932,024**	**12,997,299**	**3,724,259**	**–**	**27,653,582**

(in thousands of Russian rubles)

26. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Changes in liabilities arising from financing activities

The Group provides disclosures in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	1 January 2019	*Cash inflows*	*Cash outflows*	*Cash flows from interest paid*	*New leases*	*Acquisition of subsidiary*	*Effect of reclassi-fications*	*Other*	*31 December 2019*
Current interest-bearing loans and borrowings	1,258,785	549,822	(1,991,148)	(435,923)	–	–	1,970,400	444,131	1,796,067
Debt securities issued (current portion)	5,251,653	–	(3,166,292)	(866,908)	–	–	2,513,688	775,851	4,507,992
Current lease liabilities	198,787	–	(124,742)	(78,083)	–	14,514	136,255	78,082	224,813
Non-current interest-bearing loans and borrowings	3,377,149	4,454,766	(2,746,337)	(141,207)	–	–	(1,970,400)	65,090	3,039,061
Debt securities issued (non-current portion)	7,985,291	3,482,063	(935,812)	(647,736)	–	–	(2,513,688)	790,183	8,160,301
Non-current lease liabilities	478,324	–	–	–	13,796	12,143	(136,255)	–	368,008
Total liabilities from financing activities	**18,549,989**	**8,486,651**	**(8,964,331)**	**(2,169,857)**	**13,796**	**26,657**	**–**	**2,153,337**	**18,096,242**

	1 January 2018	*Cash inflows*	*Cash outflows*	*Cash flows from interest paid*	*Effect of reclassi-fications*	*Other*	*31 December 2018*
Current interest-bearing loans and borrowings	1,451,326	78,034	(1,507,893)	(472,448)	1,234,437	475,329	1,258,785
Debt securities issued (current portion)	3,600,917	179,517	(516,352)	(650,165)	2,000,301	637,435	5,251,653
Current obligations under finance leases	9,877	–	(15,320)	–	9,790	3,055	7,402
Non-current interest-bearing loans and borrowings	2,994,392	2,842,177	(2,300,848)	(19,924)	(1,234,437)	1,095,789	3,377,149
Debt securities issued (non-current portion)	9,980,226	–	(5,753)	(1,024,341)	(2,000,301)	1,035,460	7,985,291
Non-current obligations under finance leases	11,021	–	–	–	(9,790)	–	1,231
Dividends payable	–	–	–	–	–	–	–
Total liabilities from financing activities	**18,047,759**	**3,099,728**	**(4,346,166)**	**(2,166,878)**	**–**	**3,247,068**	**17,881,511**

The Other column includes the accrual of special dividends that were not yet paid at the year-end, and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings and debt securities issued. The Group classifies interest paid as cash flows from operating activities.

Market risk

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

Fair value sensitivity analysis for interest bearing instruments

The Group does not account for any interest-bearing financial assets or liabilities at fair value through profit or loss. A change in interest rates at the reporting date would not affect the Group's profits.

The Group does not account for any fixed rate financial assets as assets available for sale. A change in interest rates at the reporting date would not significantly affect the Group's equity.

(in thousands of Russian rubles)

26. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk

The Group's exposure to foreign currency relates to the risks on loans receivable, payable from the related parties and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries.

The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is secured from currency risks as the Group has very limited volume of transactions in currencies other than ruble.

Fair value of financial instruments

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values: long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables.

Fair value of the debt securities is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The following table shows financial instruments which carrying amounts differ from fair values as at:

	31 December 2019		*31 December 2018*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Assets				
Interest-bearing loans receivable at amortised cost	161,013	135,550	893	873
Total assets	**161,013**	**135,550**	**893**	**873**
Liabilities				
Interest-bearing loans and borrowings	4,835,128	4,650,963	4,635,934	4,529,598
Debts securities issued	12,668,293	12,788,399	13,236,944	13,536,217
Total liabilities	**17,503,421**	**17,439,362**	**17,872,878**	**18,065,815**

The fair value of long-term loans was calculated based on the present value of future principal and interest cash flows, discounted at the market rates of interest at the reporting dates.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(in thousands of Russian rubles)

26. Financial risk management objectives and policies (continued)

Market risk (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no transfers between Level 1, Level 2 and Level 3 during the period.

Fair value measurement hierarchy for assets and liabilities as at 31 December 2019:

	Total	***Level 1***	***Level 2***	***Level 3***
Non-financial assets measured at fair value				
Investment property	**9,452,414**	−	−	9,452,414
Financial assets for which fair value is disclosed				
Interest-bearing loans receivable	**2,208,434**	−	−	2,208,434
Financial liabilities for which fair value is disclosed				
Interest-bearing loans and borrowings	**4,650,963**	−	−	4,650,963
Debts securities issued	**12,788,399**	−	12,788,399	−
Contingent consideration (Note 5.1)	**328,407**			328,407

Fair value measurement hierarchy for assets and liabilities as at 31 December 2018:

	Total	***Level 1***	***Level 2***	***Level 3***
Non-financial assets measured at fair value				
Investment property	**10,293,917**	−	−	10,293,917
Financial assets measured at fair value				
Interest-bearing loans receivable at FVPL	**782,875**	−	−	782,875
Financial liabilities for which fair value is disclosed				
Interest-bearing loans and borrowings	**4,529,598**	−	−	4,529,598
Debts securities issued	**13,536,217**	−	13,536,217	−

27. Segment information

For management purposes, the Group is organized into business units based on geographical stratification correlating to the regional division of the Russian Federation. All business units are located in Russian Federation. Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment revenue is income from main activity reported in the Group's management accounts that are directly attributable to a segment being consideration received from customers for sale of residential or investment property being under construction, or for operating rent of premises and rendering of services.

Segment expense is expenses reported in the Group's management accounts that are directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment.

Segment result is segment revenue less segment expense for the reporting period.

(in thousands of Russian rubles)

27. Segment information (continued)

The following tables present measures of segment revenues and segment results on management accounts in accordance with IFRS 8 and a reconciliation of revenue and segment result used by management for decision making and revenue and net result per the consolidated financial statements prepared under IFRS:

Year ended 31 December 2019

	Ural region	*Moscow*	*Northwest region*	*Moscow region*	*Management company*	*Total*
External segment revenue	**11,440,405**	**4,137,257**	**1,634,949**	**111,439**	**229,215**	**17,553,265**
Intersegment revenue	300,057	–	1,286	25	1,639,003	**1,940,371**
Total segment revenue	**11,740,462**	**4,137,257**	**1,636,235**	**111,464**	**1,868,218**	**19,493,636**

	Ural region	*Moscow*	*Northwest region*	*Moscow region*	*Management company*	*Total*
External segment operating profit/(loss)	**860,606**	**957,308**	**4,750**	**(2,708)**	**(982,936)**	**837,020**
Intersegment operations	(305,259)	(509,067)	(135,064)	(8,333)	1,508,630	**550,907**
Total segment operating profit/(loss)	**555,347**	**448,241**	**(130,314)**	**(11,041)**	**525,694**	**1,387,927**

Year ended 31 December 2018

	Ural region	*Moscow*	*Northwest region*	*Moscow region*	*Management company*	*Total*
External segment revenue	**10,433,064**	**5,971,888**	**1,618,626**	**225,782**	**186,322**	**18,435,682**
Intersegment revenue	282,848	–	1,146	25	1,638,227	**1,922,246**
Total segment revenue	**10,715,912**	**5,971,888**	**1,619,772**	**225,807**	**1,824,549**	**20,357,928**

	Ural region	*Moscow*	*Northwest region*	*Moscow region*	*Management company*	*Total*
External segment operating profit/(loss)	**1,114,614**	**1,439,973**	**373,541**	**(158,472)**	**(763,622)**	**2,006,034**
Intersegment operations	(409,195)	(460,991)	(42,805)	(95,848)	1,444,764	**435,925**
Total segment operating profit/(loss)	**705,419**	**978,982**	**330,736**	**(254,320)**	**681,142**	**2,441,959**

Finance income and expenses, fair value gains and losses on financial assets, forex exchange gains/ (losses) are not allocated to individual segments as the underlying instruments are managed on a group basis.

Reconciliation of segments' results to net (loss)/profit

	For the years ended 31 December	
	2019	*2018*
Revenue reconciliation		
Total revenue from reportable segments	19,493,636	20,357,928
Elimination of intersegment revenue	(1,940,371)	(1,922,246)
Revenue from non-reportable segments	374,899	712,040
Adjustments of revenue	742,140	6,902
Total Group revenue from contracts with customers	**18,670,304**	**19,154,624**
Operating profit reconciliation		
Total operating profit from reportable segments	1,387,927	2,441,959
Elimination of intersegment operations	(550,907)	(435,925)
Operating loss/(profit) from non-reportable segments	(112,452)	71,633
Adjustments of operating profit	1,020,798	44,773
Change in fair value of investment property	(940,918)	773,285
Total Group operating profit	**804,448**	**2,895,725**
Finance income	475,255	761,196
Finance costs	(2,698,186)	(2,264,156)
Net loss attributable to non-controlling participants in LLC	(146,910)	53,452
Foreign exchange gain, net	1,126	59,802
Share of (loss)/profit of associate	(5,505)	12,293
(Loss)/profit before income tax	**(1,569,772)**	**1,518,312**
Income tax benefit/(expense)	50,514	(988,693)
Net (loss)/profit for the year from continuing operations	**(1,519,258)**	**529,619**

(in thousands of Russian rubles)

27. Segment information (continued)

Reconciliation of segments' results to net (loss)/profit (continued)

The main differences between revenue and operating profit under IFRS and management accounts are represented by different amount of inventories write-down to net realizable value and financial component (Notes 7.1, 7.6, 13) and other provisions, accrued under IFRS.

28. Subsequent events

Due to the recent rapid development of the coronavirus pandemic (COVID-19), many countries, including the Russian Federation, introduced quarantine measures, which had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries. The Group regards this pandemic as a non-adjusting subsequent event, the financial effect of which cannot be estimated at the moment with a sufficient degree of confidence.

Since March 2020, there has been significant volatility in the stock, currency and commodity markets, including a drop in oil prices and a depreciation of Russian ruble against the US dollar and the euro. The scale and duration of these developments remain uncertain but will impact the Group's earnings, cash flow and financial condition. Currently the expected impact is not possible to quantify with a sufficient degree of confidence.

All above-mentioned facts create uncertainty for business activities and could affect assumptions used in calculation of estimates during preparation of these consolidated financial statements as disclosed in notes 11, 12, 13, 14 and 15. The Group assesses that some of the assumptions might change already during the preparation of the interim condensed consolidated financial statements for the first 6 months of 2020, including decrease of fair value of investment properties and loans issued, and impairment of financial and non-financial assets. However, quantitative assessment of such changes cannot be determined yet.

Besides, the Group assesses that the regime of self-isolation introduced in Russian Federation since April 2020 and suspension of construction works during April in Moscow region could lead to decrease of contracting and additional costs that is concerned to be temporary effect. While assessing the impact the following factors should be taken into account:

- The Group was included in the list of Strategic organizations of Russia on 24 April 2020.
- The Group develops initiatives to minimize costs.
- The Group actively uses remote technologies, including online sales.
- The management performs negotiations with credit institutions to refinance the current debt.

In April 2020, the Group received the approval of the bank to increase the amount of the credit limit, the estimated receipt of credit funds under which is sufficient to fulfil liabilities of the group on time and in full.

The management of the Group believes that as a result of the actions taken, the Group will have sufficient funds to repay liabilities and finance activities, which will allow it to continue to operate as a continuously operating enterprise in the foreseeable future.

These financial statements have been prepared on the assumption that the Group will be able to continue as a going concern. The financial statements do not contain any adjustments related to the possibility of selling the recorded assets and changing their classification, as well as to the size and classification of liabilities that might be required if the Group could not continue its activities as a continuously operating entity.

On 18 May 2020 the Group repaid its obligations under coupon on bonds in amount of 829,751.

In January-May 2020 the Group partially repaid its obligations under existing credit facilities in the total amount of 2,283,499.

In January-May 2020 the Group received loans in the total amount of 3,277,901.

In January-May 2020 the Group are refunded loans receivable and percent in the total amount of 1,461,203.

In January-May 2020 the Group provided loan facilities in the total amount of 716,650.