RSG International Ltd

Consolidated financial statements

For the year ended 31 December 2020

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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 2020.

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 2020 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 2020 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,
12 May 2021

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6 Stasinou Avenue
1060 Nicosia
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Independent Auditor's 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 63 and comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 of Accountants' (IESBA) 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.

Building a better working world

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, 12 May 2021

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

(in thousands of Russian rubles)

	Notes	*Year ended 31 December* 2020	2019
Revenue	7.1	31,073,452	18,670,304
Cost of sales	7.3	(23,628,146)	(14,183,519)
Gross profit		**7,445,306**	**4,486,785**
General and administrative expenses	7.4	(1,008,768)	(1,148,719)
Gain on bargain purchase	4.1	1,103,364	376,201
Other operating income	7.6, 2.1	482,445	471,079
Other operating expenses	7.6, 2.1	(2,789,093)	(2,439,980)
Change in fair value of investment property	11	54,598	(940,918)
Operating profit		**5,287,852**	**804,448**
Finance income	7.5	350,035	475,255
Finance costs	7.5	(3,393,752)	(2,698,186)
Net loss attributable to non-controlling participants in LLC		–	(146,910)
Foreign exchange gain, net		18,659	1,126
Share of profit/(loss) of associate	6	43,163	(5,505)
Profit/(loss) before income tax		**2,305,957**	**(1,569,772)**
Income tax (expense)/benefit	8	(800,652)	50,514
Net profit/(loss) for the year		**1,505,305**	**(1,519,258)**
Total comprehensive income/(loss) for the year		**1,505,305**	**(1,519,258)**
Attributable to:			
Equity holders of the parent		1,934,541	(1,519,258)
Non-controlling interests	17	(429,236)	–

The accompanying notes on pages 6 to 63 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2020

(in thousands of Russian rubles)

	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	9	1,120,460	690,334
Intangible assets	10	12,742,987	3,785,350
Right of use of assets	5	2,311,277	447,248
Investments in associates	6	70,886	39,041
Investment properties	11	9,069,712	9,452,414
Inventories	13	96,057	1,419,980
Trade and other receivables	14	159,664	61,638
Interest-bearing loans receivable at amortised cost	12	221,774	155,906
Interest-bearing loans receivable at FVPL	12	781,779	1,085,262
Deferred tax assets	8	549,867	681,597
		27,124,463	**17,818,770**
Current assets			
Inventories	13	30,687,802	26,505,610
Trade and other receivables	14	1,239,238	1,249,611
Contract assets	22	6,095,804	408,123
Prepayments	15	2,673,308	1,513,192
Income tax receivable		282,712	235,504
Taxes recoverable		739,933	751,414
Interest-bearing loans receivable at amortised cost	12	765,789	5,107
Interest-bearing loans receivable at FVPL	12	8,134	1,123,172
Cash and cash equivalents	16	8,190,228	4,592,137
		50,682,948	**36,383,870**
Investment properties held for sale	11	27,282	30,000
		50,710,230	**36,413,870**
Total assets		**77,834,693**	**54,232,640**
Equity and liabilities			
Equity			
Issued capital	17	211,941	211,941
Share premium		21,575,263	21,575,263
Capital contribution reserve	17	(4,673,519)	(4,590,577)
Business combination reserve		2,190,420	2,692,177
Accumulated losses		(3,271,278)	(4,075,819)
Equity attributable to equity holders of the parent		**16,032,827**	**15,812,985**
Total non-controlling interests	17	3,380,233	–
Total equity		**19,413,060**	**15,812,985**
Non-current liabilities			
Interest-bearing loans and borrowings	18	16,136,909	3,039,061
Debt securities issued	19	5,171,171	8,160,301
Contract liabilities	22	1,339,755	1,234,285
Other financial liabilities	21	4,344,015	2,541,222
Trade and other payables	20	54,834	–
Deferred income tax liabilities	8	3,919,465	2,979,859
		30,966,149	**17,954,728**
Current liabilities			
Interest-bearing loans and borrowings	18	1,198,389	1,796,067
Debt securities issued	19	3,032,348	4,507,992
Trade and other payables	20	2,889,114	4,295,564
Contract liabilities	22	17,571,269	8,454,066
Income taxes payable		160,019	133,597
Other taxes payable		339,320	236,024
Provisions	23	298,180	167,945
Other financial liabilities	21	1,966,845	873,672
		27,455,484	**20,464,927**
		58,421,633	38,419,655
Total equity and liabilities		**77,834,693**	**54,232,640**

On 12 May 2021, the Board of Directors of RSG International Ltd authorized these consolidated financial statements for issue.

Georghios Fisentzides ____________ Director

RSG INTERNATIONAL LTD.

The accompanying notes on pages 6 to 63 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2020

(in thousands of Russian rubles)

	Year ended 31 December 2020	*Year ended 31 December 2019*
Profit/(loss) before tax	**2,305,957**	**(1,569,772)**
Adjustments for:		
Depreciation and amortization (Note 7.2)	58,520	49,791
Finance income (Note 7.5)	(350,035)	(475,255)
Finance costs (Note 7.5)	3,393,752	2,698,186
Change in fair value of investment properties (Note 11)	(54,598)	940,918
(Gain)/Loss on sale of property, plant and equipment, investment property (Note 7.6, 11)	(1,278)	21,059
Write-down of inventory to net realizable value (Note 13)	837,768	421,609
Change of allowance for expected credit loss recognized on interest-bearing loans receivable and gain on loans receivable recovered (Note 7.6)	(318,027)	870
Change of allowance for expected credit loss on trade and other receivables and other allowance on prepayments (Note 7.6)	26,370	(432,715)
Write-off of unrecoverable trade and other receivables and loans receivable (Note 7.6)	1,529	108,234
Change in legal provisions (Note 7.6)	26,796	161,170
Foreign exchange gain, net	(18,659)	(1,126)
Change in bonuses and unused vacation accruals	125,332	97,932
Losses from write-off of VAT receivable	7,401	124,254
Share of (profit)/loss of associate (Note 6)	(43,163)	5,505
Gain on derecognition of accounts payable (Note 7.6)	(18,627)	(11,161)
Barter revenue (Note 7.1)	(1,440,257)	–
Cost of capitalized development rights (Note 7.3)	1,968,935	158,216
Capitalized significant financing component on contract liability recognized in cost of sales	–	183,312
Significant financing component on contract liability recognized in revenue	(611,186)	(664,097)
Interests on project financing using effective interest rate recognized in revenue	(62,552)	–
Loss on disposal of subsidiary (Note 7.6)	48,221	8,022
Impairment of non-current inventories (Note 13)	34,867	–
Gain on bargain purchase of subsidiary (Note 4.1)	(1,103,364)	(376,201)
Gain on effective obligation settlement (Note 4.1)	(53,029)	–
Gain from write-off interest payments on liabilities for permitted use of land alteration (Note 7.6)	(55,491)	–
Net profit attributable to non-controlling participants in LLC (Note 4.1)	–	146,910
Other non-cash operations	10,797	(18,143)
Operating cash inflows before working capital changes	**4,715,979**	**1,577,518**
Decrease/(increase) in inventories	5,638,950	(360,515)
Increase in trade and other receivables, contract assets	(5,475,072)	(287,276)
Increase in prepayments	(649,237)	(347,528)
Decrease/(increase) in VAT receivable	253,492	(25,069)
(Decrease)increase in trade and other payables	(1,059,730)	806,284
(Decrease)increase in contract liabilities	(2,432,756)	916,558
Increase in other taxes payable	72,052	76,826
Decrease in provisions	(84,447)	(42,831)
Decrease/(increase) in other liabilities	(479,589)	3,637
Cash inflows from operating activities*	**499,642**	**2,317,604**
Income tax paid	(661,647)	(1,081,363)
Interest received	394,346	348,097
Interest paid	(2,205,479)	(2,169,857)
Net cash outflows from operating activities	**(1,973,138)**	**(585,519)**

* *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 14,906,574 as of 31 December 2020 (31 December 2019: 878,065). 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 2020	*Year ended 31 December 2019*
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired in 2019 (Note 4.1)	(386,319)	134,636
Acquisition of subsidiary, net of cash acquired in 2020 (Note 4.1)	475,570	–
Purchase of investment properties	(186,722)	(129,872)
Purchase of property, plant and equipment	(90,942)	(78,798)
Proceeds from sale of property, plant and equipment and investment properties	262,194	20,204
Dividends received from associates (Note 6)	3,761	12,824
Contribution to investment in associate (Note 6)	(5)	(5)
Disposal of subsidiaries, net of cash (disposed)/recieved (Note 4.2)	(77)	961,407
Purchase of intangible assets	(6,307)	(16,238)
Issuance of loans receivable	(1,648,565)	(1,839,872)
Repayment of loans receivable	2,427,526	62,262
Net cash flows from / (used in) investing activities	**850,114**	**(873,452)**
Cash flows from financing activities		
Proceeds from borrowings and bonds (Note 26)	18,754,784	8,486,651
Repayment of borrowings and bonds (Note 26)	(12,066,611)	(8,839,589)
Payment for acquisition of non-controlling interests(Note 4.1, 20)	(508,472)	(99,381)
Contribution to shareholders (Note 17)	(1,130,000)	–
Cash payments for the principal portion of lease liabilities (Note 26)	(347,929)	(124,742)
Net cash flows from / (used in) financing activities	**4,701,772**	**(577,061)**
Effect of exchange rate changes on cash and cash equivalents	19,343	(315)
Net increase/(decrease) in cash and cash equivalents	**3,598,091**	**(2,036,347)**
Cash and cash equivalents at the beginning of the year	4,592,137	6,628,484
Cash and cash equivalents at the end of the year	**8,190,228**	**4,592,137**

Consolidated statement of changes in equity

For the year ended 31 December 2020

(in thousands of Russian rubles)

	Attributable to the 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 2018 (audited)	**211,941**	**21,575,263**	**(4,495,649)**	**2,692,177**	**(2,556,561)**	**17,427,171**	**–**	**17,427,171**
Net loss for the year	–	–	–	–	(1,519,258)	**(1,519,258)**	–	**(1,519,258)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(1,519,258)**	**(1,519,258)**	**–**	**(1,519,258)**
Capital contributions from shareholder (Note 17)	–	–	8,063	–	–	**8,063**	–	**8,063**
Capital distributions to shareholder (Note 17)	–	–	(102,991)	–	–	**(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**	**–**	**15,812,985**
Net income for the year	–	–	–	–	1,934,541	**1,934,541**	(429,236)	**1,505,305**
Total comprehensive income	**–**	**–**	**–**	**–**	**1,934,541**	**1,934,541**	**(429,236)**	**1,505,305**
Acquisition of subsidiary with non-controlling interest (Note 4.1)	–	–	–	–	–	**–**	2,190,886	**2,190,886**
Disposal of non-controlling interest without change in control (Note 4.1)	–	–	–	(501,757)	–	**(501,757)**	1,618,583	**1,116,826**
Capital contributions from shareholder (Note 17)	–	–	7,687	–	–	**7,687**	–	**7,687**
Capital distributions to shareholder (Note 17)	–	–	(90,629)	–	(1,130,000)	**(1,220,629)**	–	**(1,220,629)**
As at 31 December 2020	**211,941**	**21,575,263**	**(4,673,519)**	**2,190,420**	**(3,271,278)**	**16,032,827**	**3,380,233**	**19,413,060**

(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 2020 were authorized for issue on 29 April 2021.

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. The ultimate parent company is Kortros Holding LLC.

The Group did not have the ultimate controlling party as of 31 December 2020 and 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 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 2020, the Group reported operating cash outflow of 1,973,138 and net income of 1,505,305. For the year ended 31 December 2019, the Group reported operating cash outflow of 585,519 and net loss of 1,519,258.

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 23,254,746 as at 31 December 2020 (31 December 2019: 15,948,943). In addition, the Group has the possibility to attract additional financing if necessary since the unused borrowing facilities amount to 23,613,242 as at 31 December 2020 (31 December 2019: 5,395,619).

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 2020 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.

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").

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020.

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.

Changes in comparative information

The consolidated financial statements provide comparative information in respect of the previous period financial position and financial results. In the consolidated financial statements for 2020 the amounts of Other income and Other expenses for 2019 do not correspond to the amounts stated in the consolidated financial statements for the year ended 31 December 2019, since in 2020 the Group presented on gross basis the amount of the write-off of irrecoverable accounts receivable and loans receivable equalling 108,234 in order to improve presentation of Consolidated statement of profit or loss and other comprehensive income for users of financial statements. The Group also amended presentation in the corresponding disclosures to improve readability of information for the users of consolidated financial statements.

Any other discrepancies to the amounts stated in the published consolidated financial statements for the year ended 31 December 2019 present the result of reclassifications only for comparative purposes.

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 2020 and 2019, 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 2020 and 2019, allowance for net realizable value in respect of inventories amounted to 1,993,480 and 1,924,781 respectively.

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 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 166,720 and 154,238 as of 31 December 2020, and 158,906 and 122,707 as of 31 December 2019, 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.

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.

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.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

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.

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.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

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.

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.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

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.

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.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

(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 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.

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.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.16 Revenue recognition (continued)

(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. 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.

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.

2.17 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.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 Leases

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.

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. 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.

(in thousands of Russian rubles)

2. Significant accounting policies (continued)

2.22 Leases (continued)

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 17,439 and 31,850 for year ended 31 December 2020 and 2019 (Note 7.4).

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.

c) As a lessor

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

3. Changes in accounting policies and disclosures

3.1 New and revised standards and interpretations

The Group applied for the first time certain standards and amendments, which are adopted by the EU and effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of the changes as a result of adoption of new standards are described below.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

(in thousands of Russian rubles)

3. Changes in accounting policies and disclosures (continued)

3.1 New and revised standards and interpretations (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform (issued on 26 September 2019, endorsed on 15 January 2020)

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, “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”. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued *COVID-19 Related Rent Concessions* – amendment to IFRS 16 *Leases.* The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The amendment has no impact on the consolidated financial statements of the Group in the year ended 31 December 2020.

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 and endorsed by EU, 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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020), effective date 1 January 2021

In August 2020, the Board issued *Interest Rate Benchmark Reform – Phase 2*, which amends IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*.

The Board issued amendments that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company’s financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, *Interest Rate Benchmark Reform – Phase 2*, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The objectives of the Phase 2 amendments are to assist companies in:

(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)

- applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

In Phase 2 of its project, the Board amended requirements in IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* relating to: changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; hedge accounting; and disclosures. The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

On 27 August 2020, the IASB finalized the Phase 2 amendments and published *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The Group is currently assessing the effect of the amendments on the consolidated financial statements.

3.3 Published IASB financial reporting standards, amendments and interpretations that are issued but not endorsed by EU

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 19 (issued on 25 June 2020) effective date 1 January 2021

The Amendments extend the expiry date of the temporary exemption from applying IFRS 9 from 1 January 2021 to 1 January 2023 to align the effective dates of IFRS 9 *Financial Instruments* with IFRS 17 *Insurance Contracts*.

IFRS 17 Insurance Contracts including Amendments to IFRS 17 (issued on 25 June 2020)

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

(in thousands of Russian rubles)

3. Changes in accounting policies and disclosures (continued)

3.3 Published IASB financial reporting standards, amendments and interpretations that are issued but not endorsed by EU (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. No material effect on the Group's financial statements is expected.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Group is currently assessing the impact the amendments will have on current practice and whether the additional provision for onerous contracts is required.

Annual Improvements 2018-2020

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted and are expected to have no effect on the Group's financial statements.

IFRS 9 Financial Instruments – fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

(in thousands of Russian rubles)

3. Changes in accounting policies and disclosures (continued)

3.3 Published IASB financial reporting standards, amendments and interpretations that are issued but not endorsed by EU (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture*. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. The amendments are not applicable for the Group.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)

These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are to be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)

The IASB proposed clarifying the definitions of "accounting policies" and "accounting estimates" in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* by making those two definitions more distinct and concise. The IASB also proposed clarifying, through additional guidance and examples, how accounting policies and accounting estimates relate to each other and how companies decide whether a change in valuation technique or a change in estimation technique is a change in an accounting estimate.

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. No material effect on the Group's financial statements is expected.

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on March 2021)

The International Accounting Standards Board (IASB) has published 'Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)' that extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are not expected to have a material impact on the Group.

4. Business combinations, acquisitions and disposals

4.1 Acquisition of subsidiary and non-controlling interest

Acquisition of subsidiary in 2020

In September 2020 the Group obtained control over a development company performing construction of multifunctional residential complex in Moscow by purchase of 50.41% of controlling stake from related parties.

Total purchase consideration at fair value to be transferred by the Group for the stake of 50.41% comprised non-cash consideration amounting to 1,123,821 that represents non-controlling interest in a subsidiary and shares in associate and settlement of pre-existing relationship at a fair value amounting to 2,422,093 that represents balances of loans receivable from the Group in the amount of 2,478,046, accounts receivable from the Group amounting to 196,269 and trade payables and contract liabilities to the Group in the amount of 252,222. The difference between the fair value and carrying amount of pre-existing relationship amounted to 53,029 and was reflected as a gain from effective settlement of pre-existing relationship in Other income.

(in thousands of Russian rubles)

4. Business combinations, acquisitions and disposals (continued)

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

The acquisition was made through a series of linked transactions as described below:

- The Group transferred to the seller a 49.08% non-controlling interest in its subsidiary – representing a group of development companies in Moscow. Fair value of the exchanged non-controlling interest comprised 1,116,826;
- The Group transferred 23.56% stake in one of its' associates located in Moscow that main activity is realization of real estate property (Note 6) to the seller. Fair value of the exchanged stake comprised 6,995. As a result of this transaction the Group decreased its ownership from 48% to 24.44% in that associate.

The carrying value of the non-controlling interest in the subsidiary comprised 1,618,583, the difference between the fair value and carrying amount of the transferred non-controlling interest in the subsidiary in the amount of 501,757 was recognized as the decrease of business combination reserve within the consolidated statement of changes in equity.

The effective share of the Group in the acquired subsidiary (development company) as of the date of acquisition is 50.41%.

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:

	9 September 2020
Property plant and equipment (Note 9)	389,053
Intagible assets (Note 10)	10,469,205
Right of use of assets (Note 5)	1,757,045
Inventories (Note 13)	8,318,583
Contract assets (Note 22)	1,239,351
Interest-bearing loans receivable	2,497,870
Incl. Intercompany balances	*2,478,046*
Trade and other receivables	915,829
Incl. Intercompany balances	*196,269*
Taxes recoverable	364,898
Cash and cash equivalents	475,570
Trade and other payables	(385,713)
Incl. Intercompany balances	*(220,042)*
Taxes payable	(34,324)
Contract liabilities(Note 22)	(12,264,177)
Incl. Intercompany balances	*(32,180)*
Lease liabilities (Note 5)	(1,757,045)
Other liabilities – non-current	(356,519)
Other liabilities – non-current – related parties	(1,061,052)
Interest-bearing loans and borrowings	(4,968,838)
Provisions (Note 23)	(165,150)
Deferred income tax liabilities (Note 8)	(1,016,515)
Total identified net assets at fair value	**4,418,071**
Less non-controlling interests measured at the proportionate share of the identifiable net assets	(2,190,886)
Gain on bargain purchase	(1,103,364)
Purchase consderation transferred	**1,123,821**

Intangible assets represented contract with local authorities for construction of residential property in Moscow and contractual rights for rent of land for construction and are amortized over the period of 2 to 3 years.

The fair value of trade receivables to third and related parties amounts to 719,560, approximates its' carrying value and it is expected that the full contractual amounts can be collected.

The fair value of interest-bearing loans receivable from third parties amounts to 19,824. The gross amount of loans receivable is 18,264 and it is expected that the full contractual amounts can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

(in thousands of Russian rubles)

4. Business combinations, acquisitions and disposals (continued)

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

The consideration transferred by the Group measured at fair value:

	9 September 2020
49.08% non-controlling interest in the Group's subsidiary transferred	1,116,826
23.56% stake in the Group's associate transferred (Note 6)	6,995
Total consideration	**1,123,821**

The Group recognised the gain from bargain purchase on the acquisition of subsidiary in the amount of 1,103,364 that appeared because of the substantial time gap between the date when the transaction was agreed by the parties and the date of actual transferring control (due to COVID-2019-related quarantine measures). The construction stage of acquired development company's project progressed during this time gap, therefore the risks attributable to the new subsidiary became less that resulted in the increase of fair value of net assets, while the fair value of the purchase consideration agreed did not change substantially.

Analysis of cash flows on acquisition

	9 September 2020
Consideration paid in cash	–
Less cash acquired with the subsidiary	475,570
Net cash inflow on acquisition (included in cash flows from investing activities)	**475,570**

From the date of acquisition, the newly acquired subsidiary contributed 4,870,457 of revenue to the Group' s revenue and 245,137 of profit before tax to the profit before tax of the Group. If the combination had taken place at the beginning of the year, the Group's revenue would have increased by 4,586,625 and profit before tax would have decreased by 296,349. In determining these amounts, management has assumed that the fair value adjustments that were made at the date of acquisition would have been the same if the acquisition occurred on 1 January 2020.

Acquisition of subsidiary and non-controlling interest in 2019

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.

In November 2019 the Group entered into linked transactions comprising acquisition of the remaining 35% stake in the subsidiary in which the stake of 65% was acquired in September 2018 and acquisition of 100% stake in a new subsidiary both 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.

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.

(in thousands of Russian rubles)

4. Business combinations, acquisitions and disposals (continued)

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

As of the date of acquisition and 31 December 2020 fair value of contingent consideration is equal to 324,169 and 379,086 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 in 2019

	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 in 2019

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)

4. Business combinations, acquisitions and disposals (continued)

4.1 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 5)	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 5)	(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 2019 the Group paid outstanding liability amounting to 20,616 for the acquisition of non-controlling interest performed 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 thus the company became a wholly-owned subsidiary of the Group.

(in thousands of Russian rubles)

4. Business combinations, acquisitions and disposals (continued)

4.2 Disposal of subsidiaries

(a) In 2020, the Group sold 100% share of subsidiary to third party for consideration of 1,010.

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

	At the dates of disposal
Inventories (Note 13)	529
Prepayments	46,292
Deferred tax assets (Note 8)	1,192
Taxes recoverable	182
Cash and cash equivalents	1,087
Trade and other payables	(51)
Net assets	**49,231**
Purchase consideration (cash received)	1,010
Loss on disposal of subsidiary (Note 7.6)	48,221
Cash disposed from disposal of subsidiaries, net of cash disposed	**(77)**

(b) 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 9)	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**

(c) 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.

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

(in thousands of Russian rubles)

4. Business combinations, acquisitions and disposals (continued)

4.2 Disposal of subsidiaries (continued)

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

5. Right-of-use assets and lease liabilities

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year ended 31 December 2020 and 2019 are presented below:

	2020	***2019***
Right-of-use assets		
Cost		
As at 1 January	**702,832**	**668,561**
Additions	874,342	7,996
Acquisition of subsidiary (Note 4.1)	1,757,045	26,275
Increases due to reassessment	(5,482)	–
Disposals	(403,071)	–
As at 31 December	**2,925,666**	**702,832**
Accumulated depreciation and impairment		
As at 1 January	**(255,584)**	**–**
Depreciation expense	(542,212)	(255,584)
Disposals	183,407	–
As at 31 December	**(614,389)**	**(255,584)**
Net value as at 1 January	**447,248**	**668,561**
Net value as at 31 December	**2,311,277**	**447,248**

Right-of-use assets are represented by lease of land plots and buildings.

Depreciation of right-of-use assets in the amount of 538,338 was included in the carrying value of constructed property during the year ended 31 December 2020 (31 December 2019: 255,584).

(in thousands of Russian rubles)

5. Right-of-use assets and lease liabilities (continued)

	2020	*2019*
Lease liabilities		
As at 1 January (Note 21)	**(592,821)**	**(677,111)**
Additions	(561,610)	(13,795)
Acquisition of subsidiary (Note 4.1)	(1,757,045)	(26,657)
Increases due to reassessment	5,019	–
Disposals	390,049	–
Interest expense	(95,626)	(78,083)
Lease payments	440,557	202,825
Decrease due to cancellation of payments	23,004	–
Non-cash lease payments	3,127	–
As at 31 December (Note 21)	**(2,145,346)**	**(592,821)**
Non-current	(1,555,411)	(368,008)
Current	(589,935)	(224,813)

The Group discounted lease payments using its incremental borrowing rate for measuring lease liabilities for leases that were classified before as operating leases. The weighted average incremental borrowing rate (range) for different leases was 6.38-13.54%.

Lease payments on short-term leases and leases of low-value assets are recognized as expense and amounted to 17,439 and 31,850 for the year ended 31 December 2020 and 2019 accordingly (Note 7.4).

The Group recognized decrease of lease liabilities as a result of cancellation of payments by lessee due to coronavirus pandemic as other operating income (Note 7.6).

Non-current and current lease liabilities include accounts payable due to related parties in the amount of 24,638 and 145 accordingly (Note 21).

6. Investment in associates

The Group accounts for investments in associates under the equity method.

As at 31 December the Group has 25% + 1 share in the entity that provides services to citizens of Ural Region of the Russian Federation (Associate 1), 49% share in the entity that provides services to citizens in Moscow (Associate 2) and 24.44% in the entity, main activity of which is realization of real estate property to final customers in Moscow (Associate 3).

In 2020 the Group received dividends in the amount of 4,323 including tax on dividends in amount of 562 (2019: 14,740 and 1,916 accordingly). 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 investments in the associates was as follows:

	For the years ended 31 December	
	2020	*2019*
Opening balance as at 1 January	**39,041**	**59,276**
Dividends income	(4,323)	(14,740)
Additional investments	–	10
Decrease due to acquisition of subsidiary (Note 4.1)	(6,995)	–
Share of profit/(loss) for the year	43,163	(5,505)
Closing balance at 31 December	**70,886**	**39,041**

The following tables illustrate the summarized financial information of investments in associates:

(in thousands of Russian rubles)

6. Investment in associates (continued)

(a) Associate 1

	31 December 2020	*31 December 2019*
Current assets	302,396	272,357
Non-current assets	31,249	33,751
Current liabilities	(119,851)	(149,984)
Share capital	(14,175)	(14,175)
Retained earnings	(199,619)	(141,949)
Group's share in equity	25%	25%
Group's carrying amount of the investment	53,449	39,031

	For the years ended 31 December	
	2020	*2019*
Revenue	1,025,683	1,279,385
Cost of sales	(914,159)	(1,214,547)
Other income and expenses	(16,278)	(87,486)
Profit/(loss) before tax	95,246	(22,648)
Income tax (expense)/benefit	(20,283)	629
Profit/(loss) for the year	74,963	(22,019)
Group's share of profit/(loss)	18,741	(5,505)

(b) Associate 2

	31 December 2020	*31 December 2019*
Current assets	72,103	9,232
Non-current assets	92	911
Current liabilities	(31,884)	(6,041)
Non-current liabilities	(26,147)	(4,092)
Share capital	(10)	(10)
Retained earnings	(14,154)	–
Group's share in equity	49%	49%
Group's carrying amount of the investment	6,940	5

	For the years ended 31 December 2020
Revenue	148,747
Cost of sales	(111,781)
Other income and expenses	(18,132)
Profit before tax	18,834
Income tax expense	(4,680)
Profit for the year	14,154
Group's share of profit	6,935

(c) Associate 3

	31 December 2020	*31 December 2019*
Current assets	93,816	5,005
Non-current assets	255,778	170,286
Current liabilities	(16)	(70,251)
Non-current liabilities	(306,631)	(105,030)
Share capital	(10)	(10)
Retained earnings	(42,937)	–
Group's share in equity (Note 4.1)	24.44%	48%
Group's carrying amount of the investment	10,497	5

(in thousands of Russian rubles)

6. Investment in associates (continued)

(c) Associate 3 (continued)

	For the years ended 31 December 2020
Finance and other income	54,033
Other income and expenses	(309)
Profit before tax	53,724
Income tax (expense)	(10,787)
Profit for the year	42,937
Group's share of profit	10,492

7. Income and expenses

7.1 Revenues

Revenues include the following:

	For the years ended 31 December	
	2020	***2019***
Revenue from contracts with customers		
Sales of residential property	28,501,765	17,982,707
Barter revenue	1,440,257	–
Technical supervision services	96,817	152,589
Sale of heating, electricity and energy supply services	130,547	149,257
Other revenue	850,819	348,905
Total revenue from contracts with customers	**31,020,205**	**18,633,458**
Rental income	53,247	36,846
Total	**31,073,452**	**18,670,304**

Revenues from contracts with customers include the following:

	For the years ended 31 December	
	2020	***2019***
Revenue recognized over time		
Sales of residential property	18,786,246	10,006,737
Barter revenue	1,244,596	–
Technical supervision services	96,817	152,589
Sale of heating, electricity and energy supply services	130,547	149,257
Total revenue recognized over time	**20,258,206**	**10,308,583**
Revenue recognized at point in time		
Sales of residential property	9,715,519	7,975,970
Barter revenue	195,661	–
Other revenue	850,819	348,905
Revenue recognized at point in time	**10,761,999**	**8,324,875**
Total revenue from contracts with customers	**31,020,205**	**18,633,458**

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.

(in thousands of Russian rubles)

7. Income and expenses (continued)

7.1 Revenues (continued)

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

	For the years ended 31 December	
	2020	***2019***
Receivables, which are included in "Trade and other receivables"	902,599	619,620
Contract assets	6,095,804	408,123
Advances from customers (Note 22) included in "Contract liabilities"	7,953,550	8,243,122

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. Other contract liabilities related to transfer of apartments and commercial premises as well as significant changes in the contract assets and the contract liabilities are disclosed 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 2020 amounts to 1,857,746 (31 December 2019: 7,834,999) 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	
	2020	***2019***
Staff costs, including social security taxes	1,034,115	1,109,053
- Payroll costs and other staff costs	*871,139*	*926,738*
- Social security taxes	*162,976*	*182,315*
Depreciation and amortisation	58,520	49,791

Staff costs capitalized as a part of additions to inventories amounted to 1,076,282 for the year ended 31 December 2020 (31 December 2019: 941,122).

An average annual number of employees for the year ended 31 December 2020 was 506 (31 December 2019: 513).

7.3 Cost of sales

Cost of sales includes the following:

	For the years ended 31 December	
	2020	***2019***
Cost of sales of residential property	23,104,343	13,764,767
Cost of sales for rent	5,581	3,750
Other costs	518,222	415,002
Total	**23,628,146**	**14,183,519**

For the years ended 31 December 2020 and 2019, cost of sales of residential property contain non-cash cost related to capitalized development rights in the amount of 1,968,935 and 158,216 respectively.

(in thousands of Russian rubles)

7. Income and expenses (continued)

7.4 General and administrative expenses

The structure of general and administrative expenses was the following:

	For the years ended 31 December	
	2020	***2019***
Staff costs, including social security taxes	456,678	616,100
Consulting and other professional services	300,093	250,084
Statutory audit	23,744	28,098
Depreciation of property, plant and equipment	21,922	23,048
Short-term leases and leases of low-value assets	17,439	31,850
Amortization of intangible assets	9,259	6,179
Other	179,633	193,360
Total	**1,008,768**	**1,148,719**

Other general and administrative expenses included security, representation, material, repair and maintenance, telecommunication and other expenses.

7.5 Finance income and costs

The components of finance income were as follows:

	For the years ended 31 December	
	2020	***2019***
Interest on bank accounts and deposits	200,286	348,174
Interest on loans receivable	109,878	92,834
Income on unwinding of discount on receivables	39,871	34,247
Total	**350,035**	**475,255**

The components of finance costs were as follows:

	For the years ended 31 December	
	2020	***2019***
Interest expense	2,022,279	2,001,067
Significant financing component under IFRS 15	663,549	591,593
Effect of modification of financial liability (Note 21)	329,724	–
Interests on project financing using effective interest rate	162,297	–
Interest expenses on lease liabilities (Note 5)	95,626	78,083
Interest reimbursed by government bodies (Note 13)	11,836	–
Other financial expenses	108,441	27,443
Total	**3,393,752**	**2,698,186**

7.6 Other operating income and expenses

The components of other operating income were as follows:

	For the years ended 31 December	
	2020	***2019***
Gain on loans receivable recovered (Note 12)	320,000	–
Gain from write-off interest payments on liability for permitted use of land alteration and cancellation of payments on lease liability (Note 5, 21)	55,491	–
Gain from effective settlement of pre-existing relationship (Note 4.1)	53,029	–
Gain on derecognition of accounts payable	18,627	11,161
Gain on sale of property plant and equipment, investment property and other inventory	3,290	–
Gain on change of allowance for expected credit loss on trade and other receivables and other allowance on prepayments and loans (Notes 2.1, 12, 14, 15)	870	432,715
Other income	31,138	27,203
Total	**482,445**	**471,079**

(in thousands of Russian rubles)

7. Income and expenses (continued)

7.6 Other operating income and expenses (continued)

The components of other operating expenses were as follows:

	For the years ended 31 December	
	2020	***2019***
Commercial expenses	1,237,620	1,193,656
Write-down of inventories to net realizable value (Note 13)	837,768	421,609
Taxes other than income tax	228,973	195,847
Maintenance of completed real estate property	163,403	166,130
Loss on disposal of subsidiaries (Note 4.2)	48,221	8,022
Charity	39,110	25,359
Write-down of obsolete non-current inventories (Note 13)	34,867	–
Change in legal provision (Note 23)	26,796	161,170
Allowance for expected credit loss on trade and other receivables and other allowance on prepayments (Note 14, 15)	26,370	–
Allowance for expected credit loss recognized on interest-bearing loans receivable (Note 12)	2,843	870
Write-off of irrecoverable accounts receivable and loans receivable (Note 2.1)	1,529	108,234
Loss on sale of property plant and equipment	–	21,059
Other expenses	141,593	138,024
Total	**2,789,093**	**2,439,980**

8. Income tax

Corporate tax

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

	2020	***2019***
The Russian Federation (ordinary rate)	20.00%	20.00%
The Republic of Cyprus	12.50%	12.50%

Major components of income tax (expense)/benefit for the years ended 31 December 2020 and 2019, were as follows:

	For the years ended 31 December	
	2020	***2019***
Income tax expense − current	(728,477)	(978,468)
Reversal of tax risks provision	5,321	201,181
Income tax for previous years, net	(21,877)	5
Income tax penalties	(1,428)	–
Dividend tax	(562)	7,496
Deferred tax (expense)/benefit − origination and reversal of temporary differences, net	(53,629)	820,300
Income tax (expense)/benefit reported in consolidated statement of profit or loss and other comprehensive income	**(800,652)**	**50,514**

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

(in thousands of Russian rubles)

8. Income tax (continued)

Corporate tax (continued)

A reconciliation of income tax (expense)/benefit applicable profit/(loss) 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	
	2020	***2019***
Profit/(loss) before income tax	**2,305,957**	**(1,569,772)**
Profit/(loss) of companies taxable at income tax rate:		
20%	4,743,124	64,352
12.5%	(2,489,445)	(1,961,519)
0%	52,278	327,395
At the Russian statutory income tax rate of 20%	**(461,191)**	**313,954**
Deferred income tax (expense)/benefit resulting from reduction in tax rate	2,984	(8,259)
Effect of income exempt from tax (i)	119,407	181,297
Effect on gain from bargain purchase of subsidiary (Note 4.1)	220,673	75,240
Effect of non-deductible expenses	(309,902)	(484,934)
Effect of the difference in tax rates in countries other than the Russian Federation	(176,253)	(67,515)
Change in unrecognised deferred tax assets on tax losses carried forward	(275,497)	(185,101)
Benefit from a previously unrecognised deferred tax asset on temporary differences other than losses carried forward	97,673	17,150
Income tax (expense)/benefit for previous years	(21,877)	5
Income tax penalties	(1,428)	–
Dividend tax	(562)	7,496
Reversal of tax risks provision	5,321	201,181
Income tax (expense)/benefit reported in consolidated statement of profit or loss	**(800,652)**	**50,514**

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

Deferred income tax assets and liabilities and their movements during the year ended 31 December 2020 were as follows:

	31 December 2020	***Change recognised in statement of profit or loss***	***Disposal of subsidiaries (Note 4.2)***	***Acquisition of subsidiary (Note 4.1)***	***31 December 2019***
Deferred income tax assets					
Property, plant and equipment, intangible assets	140,885	(14,638)	–	5,685	149,838
Investment property	34,505	2,187	–	–	32,318
Inventory	2,982,669	1,454,993	–	460,150	1,067,526
Accounts receivable and loans receivable	2,281,465	343,195	–	1,928,084	10,186
Accounts payable and accruals	149,660	(34,137)	–	77,967	105,830
Tax losses carried forward	890,734	103,944	(1,247)	101,552	686,485
Other	20,006	2,857	–	–	17,149
Total deferred tax assets	**6,499,924**	**1,858,401**	**(1,247)**	**2,573,438**	**2,069,332**

(in thousands of Russian rubles)

8. Income tax (continued)

Corporate tax (continued)

	31 December 2020	*Change recognised in statement of profit or loss*	*Disposal of subsidiaries (Note 4.2)*	*Acquisition of subsidiary (Note 4.1)*	*31 December 2019*
Deferred income tax liabilities					
Property, plant and equipment, intangible assets	(44,439)	(1,518)	–	–	(42,921)
Investment property	(1,914,939)	(64,457)	–	–	(1,850,482)
Inventory	(463,813)	228,184	55	–	(692,052)
Accounts receivable and loans receivable	(381,139)	(320,017)	–	–	(61,122)
Accounts payable, contract liabilities and accruals	(7,043,291)	(1,753,370)	–	(3,580,173)	(1,709,748)
Other	(21,901)	(852)	–	(9,780)	(11,269)
Total deferred tax liabilities	**(9,869,522)**	**(1,912,030)**	**55**	**(3,589,953)**	**(4,367,594)**
Total deferred tax assets/(liabilities)	**(3,369,598)**	**(53,629)**	**(1,192)**	**(1,016,515)**	**(2,298,262)**
Represented by the following					
Net deferred income tax asset	549,867	(131,730)	–	–	681,597
Net deferred income tax liabilities	**(3,919,465)**	**78,101**	**(1,192)**	**(1,016,515)**	**(2,979,859)**

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 4.2)*	*Acquisition of subsidiary (Note 4.1)*	*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	1,067,526	254,986	–	–	812,540
Accounts receivable and loans receivable	10,186	(16,534)	(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	**2,069,332**	**358,012**	**(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	(61,122)	46,546	–	–	(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	**(4,367,594)**	**462,288**	**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)**

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

	31 December 2020	*31 December 2019*
Deferred tax assets	549,867	681,597
Deferred tax liabilities	(3,919,465)	(2,979,859)
Deferred tax liabilities, net	**(3,369,598)**	**(2,298,262)**

(in thousands of Russian rubles)

8. Income tax (continued)

Corporate tax (continued)

As at 31 December 2020, the balance of tax losses carried forward which is available for offset against future taxable profits, and for which deferred tax asset is recognised in the statement of financial position amounts to 4,453,670 (2019: 3,432,423). Deferred tax asset on unused tax losses in the amount of 2,433,801 (31 December 2019: 2,163,822) 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 6,692,315 and 3,533,017 as of 31 December 2020 and 2019, respectively, were associated with investments in subsidiaries. At 31 December 2020 and 2019, 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 residents 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 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 4.2)	–	(54,884)	–	(792)	–	**(55,676)**
Balance as at 31 December 2019	**1,968**	**178,308**	**935,882**	**222,556**	**78,366**	**1,417,080**
Additions	–	–	–	–	92,387	**92,387**
Disposals	–	–	–	(19,955)	(7,782)	**(27,737)**
Transfers	–	–	78,715	31,128	(109,843)	**–**
Transfer from inventory (Note 13)	–	10,729	–	–	41	**10,770**
Acquisition of subsidiary (Note 4.1)	–	382,702	–	4,243	2,108	**389,053**
Balance as at 31 December 2020	**1,968**	**571,739**	**1,014,597**	**237,972**	**55,277**	**1,881,553**
Accumulated depreciation and impairment						
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 4.2)	–	7,092	–	745	–	**7,837**
Balance as at 31 December 2019	**–**	**(33,669)**	**(542,182)**	**(150,895)**	**–**	**(726,746)**
Additions	–	(10,302)	(16,455)	(26,266)	–	**(53,023)**
Disposals	–	–	–	18,676	–	**18,676**
Balance as at 31 December 2020	**–**	**(43,971)**	**(558,637)**	**(158,485)**	**–**	**(761,093)**
Net book value						
At 31 December 2019	**1,968**	**144,639**	**393,700**	**71,661**	**78,366**	**690,334**
At 31 December 2020	**1,968**	**527,768**	**455,960**	**79,487**	**55,277**	**1,120,460**

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 2020 in the total amount of 92,387 (31 December 2019: 113,684) were mainly represented by construction costs incurred on continued construction of utilities networks in the amount of 62,000 (31 December 2019: 101,688) and equipment for street advertising in the amount of 11,369.

(in thousands of Russian rubles)

9. Property, plant and equipment (continued)

Additions to leasehold improvements and other equipment for the year 2020 in the total amount of 31,128 (2019: 24,722) were mainly represented equipment for street advertising (2019: by office equipments and cars in amount of 21,396).

Interest (net of the interest reimbursed by the governmental bodies), capitalized as part of additions to property, plant and equipment, amounted to 20,629 in 2020 (2019: 21,183). 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 2020 equals 11.95% (2019: 12.26%).

Disposals of property, plant and equipment for the year ended 31 December 2020 in the total amount of 9,061 were mainly represented by disposal of cars and project documentation for water supply networks. Disposal of buildings for the year ended 31 December 2019 in the total amount of 19,678 were mainly represented by write-off expenses on modernization of offices in Moscow due to moving to a new office.

The Group disclosed transfer from inventory to property, plant and equipment in amount of 10,729 that was represented by offices for rent to company that provides home maintenance services to citizens in Moscow.

On 9 September 2020, the Group recognised additions to buildings in the amount of 382,702, other equipments in the amount of 4,243 and construction costs in amount of 2,108 as a result of acqusition of subsidiary (Note 4.1).

In 2019 the Group sold 100% share of two its subsidiaries (Note 4.2). Net value of disposed property, plant and equipment consisted of buildings and other equipment in the amount of 47,839.

For the year ended 31 December 2020 the Group recognized depreciation charge of 53,023 (for the year ended 31 December 2019: 49,103).

10. Intangible assets

Intangible assets consisted of the following:

	Development rights	*Other*	*Total*
Cost			
Balance as at 31 December 2018	**4,149,033**	**36,314**	**4,185,347**
Additions (Note 4.2)	512,565	9,367	**521,932**
Acquisition of subsidiary (Note 4.1)	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**
Additions	105,470	6,307	**111,777**
Acquisition of subsidiary (Note 4.1)	10,465,775	3,430	**10,469,205**
Disposals	(260,143)	(5)	**(260,148)**
Balance as at 31 December 2020	**14,625,407**	**52,864**	**14,678,271**
Accumulated amortization and impairment			
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)**
Amortization charge	(1,614,081)	(9,259)	**(1,623,340)**
Disposals	260,143	-	**260,143**
Balance as at 31 December 2020	**(1,909,427)**	**(25,857)**	**(1,935,284)**
Net book value as at 31 December 2019	**3,758,816**	**26,534**	**3,785,350**
Net book value as at 31 December 2020	**12,715,980**	**27,007**	**12,742,987**

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 4.2). Amortization of development and leasehold rights in amount of 1,614,081 was included in the carrying amount of constructed property during the year ended 31 December 2020 (31 December 2019: 338,895).

(in thousands of Russian rubles)

11. Investment properties

Investment property consisted of the following:

	2020	*2019*
Opening balance as at 1 January − investment property	**9,452,414**	**10,293,917**
Opening balance as at 1 January − investment property held for sale	**30,000**	**–**
Additions (subsequent expenditure)	272,496	235,171
Transfer to inventory (Note 12)	(497,843)	(56,709)
Disposal	(214,671)	(49,047)
Increase in fair value of investment property	54,598	(940,918)
Closing balance at 31 December − investment property	**9,069,712**	**9,452,414**
Closing balance at 31 December − investment property − held for sale	**27,282**	**30,000**

Interest capitalized as part of subsequent expenditure to investment properties amounted 85,774 and 105,299 for the years ended 31 December 2020 and 2019, respectively. The weighted average rate used to determine the amount of borrowing costs eligible for capitalization in 2020 year was 9.00% (2019: 11.27%). The Group had income from rent of investment property of 2,592 and direct operating expenses arising from investment property that generated rental income of 1,941 in 2020 (2019: 6,517 and 1,551 respectively).

During the years ended 31 December 2020 and 2019, 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 2020 and 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 27,282 and 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 2020 and 2019. 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 8,534,612 and 93.82% share in total consolidated value of investment property as of 31 December 2020 (31 December 2019: 9,043,820 and 95.37% respectively).

Unobservable inputs for project for the year ended 31 December 2020 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 to1.00%, 2.00% and 3.00% would decrease fair value by 371,000, 727,000 and 1,069,000
		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 223,000, 433,000 and 631,000
		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 1,567,000-2,624,000 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 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

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	*31 December 2020*	*31 December 2019*
Non-current loans receivable			
Loans receivable from third parties at amortized cost (a)	2.72-12.51%	212,472	155,906
Loans receivable from related parties at amortized cost (Note 24)	3.20-5.50%	9,302	–
Loans receivable from related parties at FVPL (b) (Note 24)	5.00-13.02%	781,779	1,085,262
Total non-current loans receivable		**1,003,553**	**1,241,168**
Current loans receivable			
Loans receivable from third parties at amortised cost (c)	3.50-7.80%	509,150	5,977
Loans receivable from third parties at FVPL (d)	8.75-9.00%	8,134	1,012,411
Loans receivable from related parties at FVPL (Note 24)	8.20%	–	110,761
Loans receivable from related parties at amortised cost (Note 24) (e)	3.20-11.96%	259,482	–
Allowance for expected credit losses on loans receivable at amortised cost (Note 7.6)		(2,843)	(870)
Total current loans receivable		**773,923**	**1,128,279**

See table below for the allowance for expected credit losses on loans receivables:

	31 December 2020	*31 December 2019*
At 1 January	**870**	**–**
Provision for expected credit loss for the reporting year (Note 7.6)	2,843	870
Reversal of unused amounts (Note 7.6)	(870)	–
At 31 December	**2,843**	**870**

(in thousands of Russian rubles)

12. Interest-bearing loans receivable (continued)

For the year ended 31 December 2020 the Group recovered loans receivable written-off in previous periods, as the loans receivable were paid in the amount of 320,000 (Note 7.6 Other operating income).

(a) As of 31 December 2020, non-current loans receivable from third parties at amortized cost in amount of 212,472 (as of 31 December 2019: 155,906) include promissory notes issued by Russian banks with repayment in 2021-2023. Promissory note in the amount of 195,537 and 35,095 were pledged as a collateral for loans and borrowings as of 31 December 2020 and 2019 respectively (Note 18).

(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. The difference between the loan amount and its fair value (present value using current market rates for similar instruments) was recorded as distribution to shareholders in the consolidated statement of changes in equity of the Group and amounted to 102,991. In 2020 year the Group issued additional loans in amount of 54,770 maturing in 2025. The Group recognised distribution to shareholders in the consolidated statement of changes in equity in the amount of 73,324 (Note 17). These loans receivable outstanding amount is equal to 599,923 and 517,656 as at 31 December 2020 and 2019 accordingly.

As of 31 December 2020, the Group recognized loans receivable from other related party in the amount of 181,856 (31 December 2019: 63,145) maturing in 2022-2024. Loans previously issued to related party were repaid in the amount of 527,070 during 2020.

(c) As at 31 December 2020 the Group had outstanding loans provided to a general contractor in the amount of 309,761 maturing in 2021 year for construction of residential properties in Moscow region and street network in Yekaterinburg. The Group accrued expected credit loss on these loans in the amount of 2,843 (Note 7.6). In 2020 the Group also provided loan to other third party in amount of 159,000. Current loans receivable from third parties at amortised cost include promissory note issued by Russian bank with repayment in 2021. Promissory note in the amount of 36,327 was pledged as a collateral for loans and borrowings as of 31 December 2020 (Note 18).

(d) 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. As of 31 December 2019, these loans receivable amounted to 1,004,897 and as at 31 December 2020 are fully settled.

(e) In November 2020 year the Group issued loan to related party in amount of 150,000 maturing in 2021. 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. The difference between the loan amount and its fair value was recorded as distribution to shareholders in the consolidated statement of changes in equity of the Group and amounted to 17,305 (Note 17). These loans receivable outstanding amount is equal to 133,974 as of 31 December 2020.

As of 31 December 2020, the Group issued loans to other related parties in the amount of 125,508 maturing in 2021.

13. Inventories

Inventories consisted of the following as of:

	31 December 2020	***31 December 2019***
Inventory properties under construction		
- at cost	20,043,280	17,903,951
- at net realizable value	857,409	205,031
Constructed inventory properties		
- at cost	6,738,843	8,434,905
- at net realizable value	1,211,817	1,357,447
Other inventory, at cost	1,932,510	24,256
Total	**30,783,859**	**27,925,590**
Including:		
- Current	30,687,802	26,505,610
- Non-current	96,057	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.

(in thousands of Russian rubles)

13. Inventories (continued)

The Group recognized write-down of obsolete non-current inventories which will not be used in future in the amount of 34,867 and reclassified non-current inventories in the amount of 1,289,087 as current due to change of construction plans.

As of 31 December 2020 and 2019, non-current inventory mainly represents Group's construction projects, which is currently suspended due to the change of construction plans. As of 31 December 2020 and 2019, the cumulative write-down to net realizable value in respect of inventories amounted to 1,993,480 and 1,924,781 respectively.

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

	31 December 2020	*31 December 2019*
Opening balance at 1 January (audited)	**27,925,590**	**26,123,301**
Opening balance adjustment	–	(424,463)
Opening balance at 1 January (restated)	**27,925,590**	**25,698,838**
Construction costs incurred	18,056,906	13,845,505
Acquisition of subsidiary (Note 4.1)	8,318,583	2,350,830
Other costs incurred	38,863	111,958
Interest capitalized	117,799	154,518
Interest reimbursed by the government bodies (Note 7.5)	(11,836)	–
Transfer to property, plant and equipment	(10,770)	–
Transfer from investment property (Note 11)	497,843	56,709
Write-down to net realizable value (Note 7.6)	(837,768)	(421,609)
Disposals (recognized in cost of sales of residential property) (Note 7.3)	(23,097,573)	(13,764,767)
Disposals (recognized in cost of other sales and other expenses)	(213,249)	(106,392)
Disposal of subsidiary (Note 4.2)	(529)	–
Closing balance at 31 December	**30,783,859**	**27,925,590**

The weighted average rate used to determine the amount of borrowing costs eligible for capitalization for the year ended 31 December 2020 was 11.96% (31 December 2019: 12.26%).

14. Trade and other receivables

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

	31 December 2020	*31 December 2019*
Trade accounts receivable due from third parties	874,792	515,177
Trade accounts receivable due from related parties (Note 24)	27,807	104,443
Other accounts receivable due from third parties	499,717	290,716
Other accounts receivable due from related parties (Note 24)	3,642	498,181
Allowance for expected credit losses	(166,720)	(158,906)
	1,239,238	**1,249,611**

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

	31 December 2020	*31 December 2019*
At 1 January	**158,906**	**710,127**
Provision for expected credit loss for the reporting year (Note 7.6)	11,595	34,800
Reversal (Note 7.6)	(20,739)	(492,771)
Utilised	(9,073)	(93,250)
Acquisition of subsidiary (Note 4.1)	26,031	–
At 31 December	**166,720**	**158,906**

Non-current trade and other receivables as of 31 December 2020 represent the balances due from customers for sale of land plots in amount of 138,588 (31 December 2019: nil) and by balances due from customers for sale of underground parking places in amount of 21,076 (31 December 2019: 61,638).

(in thousands of Russian rubles)

14. Trade and other receivables (continued)

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 2020	***31 December 2019***
Prepayments made to third parties	2,819,450	1,338,324
Prepayments made to related parties (Note 24)	8,096	297,575
Impairment loss	(154,238)	(122,707)
	2,673,308	**1,513,192**

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

	31 December 2020	***31 December 2019***
At 1 January	**122,707**	**104,540**
Charge for the year (Note 7.6)	42,517	27,631
Reversal (Note 7.6)	(7,003)	(2,375)
Utilised	(12,509)	(7,089)
Acquisition of subsidiary (Note 4.1)	8,526	–
At 31 December	**154,238**	**122,707**

16. Cash and cash equivalents

Cash and cash equivalents consisted of the following as of:

	31 December 2020	***31 December 2019***
Cash	8,105,250	4,592,137
Restricted cash	69,157	–
Cash in deposit accounts	15,821	–
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**8,190,228**	**4,592,137**

The Group had to maintain a minimum balance amounting to 69,157 on its current account at the end of each operating day, the balance is presented as a restricted cash, the Group is able to use that funds in a day-to-day operations. The account was closed in April 2021.

Cash on escrow accounts (supplementary information)

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.

The Group received cash on escrow accounts at authorized bank from the buyers of the residential properties as the settlement of the share participation agreements obligations in the amount of 14,906,574 for the period ended 31 December 2020 (2019: 878,065).

(in thousands of Russian rubles)

16. Cash and cash equivalents (continued)

Cash on escrow accounts (supplementary information) (continued)

In 2020, as a result of completion of the construction, the sales of which was carried out using escrow accounts, in accordance with the legislation, the Group obtained the right to receive funds from equity holders placed on escrow accounts in the amount of 1,190,985 of which 1,177,301 was used as repayment of borrowings on project financing and in the amount of 1,577 as repayment of interest on project financing.

The cash on escrow accounts as at 31 December 2020 amounted to 18,235,058 (31 December 2019: 878,065) and is not reflected in the consolidated statement of financial position of the Group.

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 2019	6,786,305	211,941
At 31 December 2020	6,786,305	211,941

During 2020 the Group transferred funds to shareholders and recognised capital contributions to shareholder in the amount of 1,130,000.

In November 2020, the Group provided loan to related party maturing in 2021 (Note 12). 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 loan amount and its fair value (present value using current market rates for similar instruments) was recorded as distribution to shareholders in the consolidated statement of changes in equity of the Group and amounted to 17,305. The loan receivable outstanding amount is equal to 133,974 as at 31 December 2020.

For the year ended 31 December 2020 the Group recognized contribution from shareholder in the amount of 2,223 related to the loan provided to the entity under common control in 2018 (31 December 2019: 8,063). The loan receivable outstanding amounted to 504,461 as at 31 December 2019. In September 2020 the Group acquired that entity (Note 4.1), so the outstanding loan amount as of 31 December 2020 is nil.

In December 2019, the Group provided loans to related parties maturing in 2021-2025 (Note 12). 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, the difference between the loan amount and its fair value was recorded as distribution to shareholders in the consolidated statement of changes in equity of the Group and amounted to 102,991. In 2020 due to additional loans provided the Group recognised capital distribution to shareholder in the amount of 73,324. These loans receivable outstanding amount is equal to 599,923 and 517,656 as at 31 December 2020 and 2019 accordingly.

At 31 December 2019 the Group recognized borrowings from an entity under common control at fair value on initial recognition based on the market rate of interest for similar loans in the amount of 44,300, the difference between the loan amount and its fair value was recorded as a contribution from shareholders in the consolidated statement of changes in equity for the year ended 31 December 2020 of the Group and amounted to 5,464. The loans payable outstanding amounted to nil as at 31 December 2020.

Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below.

Proportion of equity interest held by non-controlling interests:

	2020	*2019*
Subsidiary 1	49.59%	–
Subsidiary 2	49.08%	–

(in thousands of Russian rubles)

17. Equity (continued)

Material partly-owned subsidiaries (continued)

Subsidiary 1 is a development company performing construction of multifunctional residential complex in Moscow. Subsidiary 2 represents a group of development companies in Moscow, main activity of which is realization of development projects in Moscow as well as realization of real estate property to final customers.

Summarised statement of comprehensive income for period 9 September 2020 – 31 December 2020 is presented below:

	Subsidiary 1	***Subsidiary 2***	***Total***
Revenue from contracts with customers	4,794,297	244,910	**5,039,207**
Cost of sales	(4,155,050)	(180,780)	**(4,335,830)**
Other opearting income/(expenses)	(1,282,360)	(153,336)	**(1,435,696)**
Finance income/(costs)	(183,449)	75,617	**(107,832)**
Profit before tax	**(826,562)**	**(13,589)**	**(840,151)**
Income tax	(21,255)	(4,349)	**(25,604)**
Profit/(loss) for the year	**(847,817)**	**(17,938)**	**(865,755)**
Total comprehensive income	**(847,817)**	**(17,938)**	**(865,755)**
Attributable to non-controlling interests	(420,432)	(8,804)	**(429,236)**

Summarised statement of financial position as at 31 December 2020 is presented below:

	Subsidiary 1	***Subsidiary 2***	***Total***
Non-current assets	14,179,238	2,014,882	**16,194,120**
Current assets	12,554,596	2,717,432	**15,272,028**
Non-current liabilities	(11,170,521)	(1,115,495)	**(12,286,016)**
Current liabilities	(12,024,907)	(336,911)	**(12,361,818)**
Total equity	**(3,538,406)**	**(3,279,908)**	**(6,818,314)**
Attributable to:			
Equity holders of parent	(1,767,952)	(1,670,129)	**(3,438,081)**
Non-controlling interest	(1,770,454)	(1,609,779)	**(3,380,233)**

Summarised cash flow information for year ended 31 December 2020:

	Subsidiary 1	***Subsidiary 2***	***Total***
Operating	(2,258,366)	105,254	**(2,153,112)**
Investing	(341,855)	(68,860)	**(410,715)**
Financing	2,817,948	(39,760)	**2,778,188**
Net increase in cash and cash equivalents	**217,727**	**(3,366)**	**214,361**

As at 31 December 2019 there was no non-controlling interest reflected within equity.

(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 2020 and 2019:

	Effective interest rate	*31 December 2020*	*Unused borrowing facilities*	*31 December 2019*	*Unused borrowing facilities*
Non-current interest-bearing loans and borrowings					
Loans and borrowings from third parties	7.25-14.38%	3,459,976	5,523,487	2,848,644	4,230,061
Project financing using escrow accounts	7.96%-10.35%	12,676,933	18,089,755	121,147	1,165,558
Loans and borrowings from related parties (Note 24)	5.25%	–	–	69,270	–
Total non-current interest-bearing loans and borrowings		**16,136,909**	**23,613,242**	**3,039,061**	**5,395,619**
Current portion of non-current interest-bearing loans and borrowings					
Loans and borrowings from third parties	7.25-11.53%	919,718	–	1,796,067	–
Project financing using escrow accounts	7.67-8.97%	210,090	–	–	–
Total current portion of non-current interest-bearing loans and borrowings		**1,129,808**	**–**	**1,796,067**	**–**
Current interest-bearing loans and borrowings					
Loans and borrowings from related parties (Note 24)	12.26%	68,581	–	–	–
Total current interest-bearing loans and borrowings		**68,581**	**–**	**–**	**–**
Total interest-bearing loans and borrowings		**17,335,298**	**23,613,242**	**4,835,128**	**5,395,619**

Project financing using escrow accounts

In accordance with the Federal Law № 214-FZ that came into effect as at 1 July 2019, the financing provided by the customers under share participation agreements is accumulated first at the authorized banks' accounts (escrow accounts). The developer has no longer access to these funds but can obtain bank loans for project financing at lower rates that are secured by those funds.

During 2019-2020, the Group obtained new bank loans to finance construction of residential real estate at a variable interest rate that depends on the funds accumulated on escrow accounts. The interest rate of project financing loans includes two components: basic borrowing rate (range) of 6.75-10.35% for existing loans and preferential rate (range) of 0.01-8.24%, applied to loan balances covered by funds on escrow accounts. If funds on escrow accounts exceed project loan balances, interest rate could be lowered down to 0.01%. The cash on escrow accounts as at 31 December 2020 and 2019 amounted to 18,235,058 and 878,065 accordingly (Note 16).

Project financing obtained by the Group under the preferential rate due to escrow accounts is initially recognized at the fair value in the consolidated statement of financial position. The difference between cash received and fair value recognised is treated as benefit on project financing and presented within contract liabilities in the consolidated statement of financial position. The effect of the change of interest rate between the preferential rate and the market rate is reflected in the period when it actually occurs as a change in contract liabilities − benefit on project financing (Note 22).

In accordance with the Government Resolution № 629 dated 30 April 2020, interest rate of project financing bank loans in Ural region is set equal to the Bank of Russia's key rate. As at 31 December 2020 preferential interest rate equals to 4.25%. The difference between nominal interest rate and subsidized rate by government was accounted for within inventory according to Group's accounting policy. Interest reimbursed by the governmental bodies amounted to 11,836 as of 31 December 2020 (Note 13).

(in thousands of Russian rubles)

18. Interest-bearing loans and borrowings (continued)

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 2020 and 2019.

Pledged assets

As at 31 December 2020 inventory with the carrying value of 22,274,284 (31 December 2019: 6,799,862) and investment property with the carrying value of 760,318 (31 December 2019: nil) are pledged as a collateral for loans and borrowings.

The Group had promissory note with a carrying value of 231,864 at 31 December 2020 (31 December 2019: 35,095), cash and cash equivalents in the amount of 69,808 (31 December 2019: nil) and debt securities in the amount of 880,210 (31 December 2019: nil) at amortized cost are pledged as a collateral for loans and borrowings.

As at 31 December 2020 and 2019, the Group had pledged shares in its subsidiaries:

As at	*Share of pledged subsidiaries in the total consolidated assets of the Group (excluding intra-group balances)*	*Share of pledged subsidiaries in the total consolidated revenue of the Group (excluding intra-group balances)*	*Net assets of pledged subsidiaries (including intra-group balances)*
31 December 2019	41.99%	54.19%	21,417,551
31 December 2020	83.18%	88.38%	37,231,768

19. Debt securities issued

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 2020 the balance of debt securities of third tranche was 2,022,134 (31 December 2019 2,020,876).

The value of debt securities of fifth tranche as of 31 December 2020 was 806,635, the expected maturity date is 18 June 2021 (31 December 2019: 1,002,495).

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 of 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 2020 the balance of debt securities of seventh tranche was 1,724,082. As of 31 December 2019 the balance of debt securities of seventh, eighth and ninth tranches was 6,002,119. The Group fully redeemed bonds of eighth and ninth tranches in September and December 2020.

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, mature in 2022-2025, coupon rate of 12.00% p. a., 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 2020 the balance of debt securities of tenth and eleventh tranches was 3,650,668 (31 December 2019: 3,642,803).

As of 31 December 2020, debt securities of the third and seventh issue in the total number of 1,505,407 amounting to 1,505,407 at amortized cost (31 December 2019: 4,104,756) were repurchased by the Group's subsidiaries, and partly pledged as a collateral for loans and borrowings (Note 18), the balance of pledged debt securities as of 31 December 2020 was 880,210 (31 December 2019: nil).

(in thousands of Russian rubles)

20. Trade and other payables

Trade and other payables consisted of the following as of:

	31 December 2020	*31 December 2019*
Non-current trade and other payables		
Bonus accrual	54,834	–
	54,834	**–**
Current trade and other payables		
Trade accounts payable due to third parties	2,172,258	2,049,352
Trade accounts payable due to related parties (Note 24)	31,846	16,603
Other accounts payable due to third parties	146,535	1,703,944
Other accounts payable due to related parties (Note 24)	289,953	304,939
Bonus accrual	91,625	82,205
Unused vacation accrual	156,897	138,521
	2,889,114	**4,295,564**

Non-current payables represent bonus accrual for key management personal under new long-term motivation program with provisional payments in 2022 and final payments in 2024.

Other accounts payable due to third parties as of 31 December 2019 included amounts payable for acquisition of subsidiary and non-controlling interest in the amount of 894,791. During 2020 the remaining unpaid consideration for the purchase of subsidiary was fully settled (paid in cash) in the amount of 386,319 as well as the liability for the acquisition of non-controlling interest performed in 2019 in the amount of 508,472.

21. Other financial liabilities

Other financial liabilities consisted of the following as of:

	31 December 2020	*31 December 2019*
Non-current financial liabilities		
Liabilities for permitted use of land alteration (a)	802,833	1,237,341
Liabilities for purchasing of land lease rights and assets (b)	537,482	607,466
Lease liabilities (Note 5)	1,530,773	368,008
Lease liabilities – related parties (Note 5, 24)	24,638	–
Other liabilities (d)	364,245	–
Other liabilities – related parties (Note 24) (d)	1,084,044	–
Contingent consideration liability (c)	–	328,407
	4,344,015	**2,541,222**
Current financial liabilities		
Liabilities for permitted use of land alteration (a)	546,966	624,754
Liabilities for purchasing of land lease rights and assets – current portion (b)	401,355	–
Contingent consideration liability (c)	379,086	–
Lease liabilities − current portion (Note 5)	589,790	224,813
Lease liabilities – related parties − current portion (Note 5, 24)	145	–
Other current liabilities	49,503	24,105
	1,966,845	**873,672**

(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 802,833 and current financial liability of 546,966 (31 December 2019: 1,237,341 and 624,754). In 2020 the Group recognized a gain from the modification of current financial liability due to decrease in interest payments for permitted use of land alteration in the amount of 32,487 (Note 7.6).

(in thousands of Russian rubles)

21. Other liabilities (continued)

(b) As of 31 December 2020 and 2019, the Group had outstanding non-current financial liabilities in respect of the development project purchased in 2015, in the amount of 537,482 and 607,466 and current financial liabilities in the amount of 401,355 and nil as of 31 December 2020 and 2019, accordingly. Purchase of asset was performed in 2015 and according to the terms of the deal the Group recognized financial liability amounted to 607,466. During 2020 the terms of initial agreement were substantially changed, the Group assessed the effect of modification, derecognized the financial liability in the amount of 607,466 and recognized new financial liability at fair value on initial recognition based on the market rate of interest for similar loans, payable in 2021-2023. Discount rate used equalled to 9.59%. The difference between the fair value and the carrying value of liability was recorded as the effect of the modification of financial liability in Finance costs in the consolidated income statement and amounted to 329,724 (Note 7.5). In case the discount rate was 1% lower/higher, the amount of new liability accounted for on initial recognition would be 10,451 higher / 10,290 lower.

(c) In 2019 the Group purchased non-controlling interest (Note 4.1), the fair value of associated contingent consideration liability amounted to 328,407 as of 31 December 2019. As of December 2020 the Group reassessed its fair value to 379,086. The effect of change in fair value of contingent consideration liability in the amount of 50,679 was recognised in other financial expenses in the consolidated statement of profit or loss.

(d) Other non-current financial liabilities represent loans of 2,500,000 from related parties and third parties maturing in December 2031. These loans were recognized within the transaction on acquisition of a subsidiary (Note 4.1) at their fair value based on the market interest rate for similar loans at the acquisition date amounting to 1,417,571. Carrying value of these loans as at 31 December 2020 amounts to 1,084,044 and 364,245, the effective interest rate is 7.17%.

22. Contract assets and liabilities

At 31 December 2020 and 2019, contract liabilities in the amount of 7,953,550 and 8,243,122 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 2020	*31 December 2019*
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)	105,470	–
	1,339,755	**1,234,285**
Current non-financial contract liabilities		
Advances from Customers − third parties (c)	7,938,722	8,243,120
Advances from Customers − related parties (c)	14,828	2
Liability for contractual rights for rent of land in Moscow (d)	9,157,182	–
Liabilities for investment contracts with local authorities (a)	328,017	15,283
Contract liabilities − benefit on project financing (e)	132,520	–
Liabilities for construction of social objects (b)	–	195,661
	17,571,269	**8,454,066**

(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 328,017 and 15,283 as of 31 December 2020 and 2019, respectively. Increase in these current non-financial contract liabilities in 2020 is related to new investment contracts concluded with the local authorities in the Ural region required to provide apartments to individuals free-of-charge. 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 2020 and 2019.

(b) In 2017, the Group concluded a contract with local authorities for construction of social objects such as a park, a kindergarten, sports ground and a monument as a part of the further project development in the Ural Region. As of 31 December 2020, the Group recognized revenue due to the transfer of a kindergarten to local authorities in the amount of 195,661 that was included in the opening balance of contract liability.

In 2020, the Group concluded a contract with local authorities for construction of social objects as a part of the further project development in the Ural Region. As of 31 December 2020 non-current non-financial contract liability amounted to 105,470 (31 December 2019: nil).

(in thousands of Russian rubles)

22. Contract assets and liabilities (continued)

(c) The change of advances from customers (third parties) occurred due to the recognition of revenue that was included in the opening balance of current non-financial contract liabilities in the amount of 10,400,785 cash received during the year in the amount of 6,615,563 (excluding amounts recognized as revenue during the year), recognition of the financial component in the amount of 420,835 and acquisition of subsidiary in the amount of 3,074,815.

(d) As a result of acquisition of subsidiary (Note 4.1) the Group obtained a contract with local authorities for construction of residential property in Moscow and obtained contractual rights for rent of land for the construction from third parties. The related liability represented the obligation to transfer apartments and commercial properties to third parties and amounted to 9,157,182 as of 31 December 2020.

(e) As of 31 December 2020 contract liabilities in the amount of 132,520 (31 December 2019: nil) represent benefit on project financing due to escrow accounts (as disclosed in Note 18) that was not yet converted to revenue from the sale of residential property.

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

	2020		*2019*	
	Contract assets	***Contract liabilities***	***Contract assets***	***Contract liabilities***
At 1 January	**408,123**	**(9,688,351)**	**355,198**	**(7,281,655)**
Revenue recognised that was included in contract liability balance at the beginning of the year	–	10,400,785	–	4,603,939
Increases due to cash received,excluding amounts recognized as revenue during the year	–	(6,615,563)	–	(5,184,599)
Increases due to acquisition of subsidiary (Note 4.1)	1,239,351	(3,074,815)	104,225	(1,634,126)
Decreases due to disposal of subsidiary (Note 4.2)	–	–	–	50,129
Recognition of financial component	–	(420,835)	–	(262,937)
Increase of contractual rights for rent of land in Moscow (Note 4.1)	–	(9,157,182)	–	–
(Increase)/decrease of liabilities for investment contracts with local authorities	–	(312,734)	–	20,898
Increase in contract liabilities – benefit on project financing (Note 18)	–	(132,520)	–	–
Decrease of liabilities for construction of social objects	–	90,191	–	–
Payments received from individuals and legal entities for residential properties	(144,204)	–	(264,480)	–
Recognition of contract assets	4,592,534	–	213,180	–
At 31 December	**6,095,804**	**(18,911,024)**	**408,123**	**(9,688,351)**

23. Provisions

Provisions consisted of the following:

	Onerous contracts	***Legal claims***	***Construction of social objects***	***Provision for completion construction works***	***Total***
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 4.2)	–	(216)	–	–	**(216)**
At 31 December 2019	**–**	**162,995**	**–**	**4,950**	**167,945**
Accrued	8,299	37,637	–	30,000	**75,936**
Utilized	(1,527)	(84,447)	(9,086)	–	**(95,060)**
Unused amounts reversed	–	(10,841)	–	(4,950)	**(15,791)**
Acquisition of subsidiary (Note 4.1)	–	14,352	150,798	–	**165,150**
At 31 December 2020	**6,772**	**119,696**	**141,712**	**30,000**	**298,180**

(in thousands of Russian rubles)

23. Provisions (continued)

In 2020 the Group concluded onerous contracts for sale of living property and parking places in several projects. The respective provision as at 31 December 2020 amounted to 6,772 (31 December 2019: nil).

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. During 2020 the Group utilized this provision in the amount of 74,014.

Provision for construction of social objects in the amount of 141,712 as of 31 December 2020 related to constructive obligation for construction of kindergarten and represent costs to be incurred in the future periods to finish the construction works.

In 2020, in projects that were put into operation the Group concluded contracts for works to be implemented in 2021 and the respective provision was accrued in the amount of 30,000 as of 31 December 2020. (31 December 2019: 4,950).

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 2020 and 2019 are detailed below:

31 December 2020	***Interest-bearing loans receivable at FVPL***	***Interest-bearing loans receivable at amortised cost***	***Trade and other receivables***	***Prepayments***	***Interest-bearing loans and borrowings***	***Trade and other payables, other liabilities***	***Advances received***
Associates	177,538	–	5,054	8,093	–	31,912	–
Shareholder	365,388	–	149	–	–	–	–
Other related parties	238,853	268,784	26,246	3	68,581	1,398,714	14,828
Total	**781,779**	**268,784**	**31,449**	**8,096**	**68,581**	**1,430,626**	**14,828**

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**

For the year ended 31 December 2020	***Revenue***	***Finance income***	***Costs***	***Finance costs***	***Other income/ (expenses)***	***Purchases***
Associates	41,514	7,594	19,255	–	(77,077)	324
Shareholder	377	42,012	–	–	–	–
Other related parties	450,437	53,688	40,920	34,160	(3,461)	–
Total	**492,328**	**103,294**	**60,175**	**34,160**	**(80,538)**	**324**

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**

(in thousands of Russian rubles)

24. Balances and transactions with related parties (continued)

Other related parties are presented by the entities controlled by one of the parent company's shareholders who has significant influence over the Group, entities controlled by the parent company's shareholders or entities under common control of the parent company.

The balances with related parties as at 31 December 2020 and 2019, 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.

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 2020	***31 December 2019***
Salary	306,133	275,647
Performance bonuses	194,936	270,546
Other compensations	6,703	9,641
Social security taxes	79,075	88,635
Total	**586,847**	**644,469**

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 2019-2020, the Russian economy continued to be negatively impacted by a volatility in oil prices, foreign currencies and sanctions imposed on Russia by a number of countries. 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.

In the first months of 2020 a significant global market turmoil was observed triggered by the outbreak of the novel coronavirus pandemic − COVID-19. Along with other factors, including decrease in oil prices, this has resulted in higher volatility of Russian stock market as well as depreciation of Russian ruble. As a result of pandemic, quarantine measures were introduced during the first half of 2020 that impacted business activities of companies from various industries. Some of the quarantine measures were subsequently cancelled in the second half of 2020.

The management of the Group implemented adequate measures to timely react on changing business environment, that included minimization of costs, switching to the use of remote technologies, including online sales, and negotiations with credit institutions to refinance current debt. Thus, the financial performance of the Group in 2020 was not negatively affected by the abovementioned factors, as the market volatility, management's actions and certain measures introduced by the government relating to the low-rate mortgage loans led to the increase of apartments' sales in 2020.

If the existing trends continue in the long term, these factors may continue to have a significant impact on the financial position, cash flow and results of operations of the Company.

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.

(in thousands of Russian rubles)

25. Contingencies, commitments and operating risks (continued)

Taxation (continued)

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, 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 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 2020 it had possible obligations from exposures to various tax risks primarily related to 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.

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 2020. The Group had firm contractual commitments for the construction works for an approximate amount of 26,768,014 (including VAT) as at 31 December 2020 (31 December 2019: 10,349,486).

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 29,788 as at 31 December 2020 (31 December 2019: 50,679).

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.

(in thousands of Russian rubles)

26. Financial risk management objectives and policies (continued)

Credit risk (continued)

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 2020	*31 December 2019*
Non-current assets		
Interest-bearing loans receivable at amortized cost	221,774	155,906
Interest-bearing loans receivable at FVPL	781,779	1,085,262
Trade and other receivables	159,664	61,638
Total non-current assets	**1,163,217**	**1,302,806**
Current assets		
Cash and cash equivalents	8,190,228	4,592,137
Interest-bearing loans receivable at amortized cost	765,789	5,107
Interest-bearing loans receivable at FVPL	8,134	1,123,172
Contract assets	6,095,804	408,123
Trade and other receivables	1,239,238	1,249,611
Total current assets	**16,299,193**	**7,378,150**

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 2020

	Less than 12 months	*1-3 years*	*3-5 years*	*More than 5 years*	*Total*
Non-interest bearing debt					
Trade and other payables	2,635,698	–	–	–	**2,635,698**
Lease liabilities	666,326	1,309,946	318,531	73,106	**2,367,909**
Other liabilities	469,503	630,000	–	–	**1,099,503**
Interest bearing debt					
Other liabilities	564,231	940,697	–	3,103,312	**4,608,240**
Interest-bearing loans and borrowings	1,452,443	13,339,036	4,109,080	–	**18,900,559**
Debts securities issued	3,802,234	5,482,077	–	–	**9,284,311**
Total	**9,590,435**	**21,701,756**	**4,427,611**	**3,176,418**	**38,896,220**

(in thousands of Russian rubles)

26. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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**

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 2020	*Cash inflows*	*Cash outflows*	*Cash flows from interest paid*	*New liabilities*	*Acquisition of subsidiary*	*Effect of reclassi-fications*	*Other*	*31 December 2020*
Current interest-bearing loans and borrowings	1,796,067	495,000	(2,276,892)	(455,129)	–	–	1,178,078	461,265	1,198,389
Debt securities issued (current portion)	4,507,992	–	(4,369,151)	(902,000)	–	–	2,998,094	797,413	3,032,348
Other liabilities	624,754	–	(479,809)	(134,326)	–	–	834,215	103,487	948,321
Current lease liabilities	224,813	–	(347,929)	(92,630)	–	480,553	401,876	(76,748)	589,935
Non-current interest-bearing loans and borrowings	3,039,061	18,259,784	(5,420,568)	(2,008)	–	4,968,838	(1,178,078)	(3,530,120)	16,136,909
Debt securities issued (non-current portion)	8,160,301	–	–	(619,386)	–	–	(2,998,094)	628,350	5,171,171
Non-current other liabilities	1,844,806	–	–	–	329,724	1,417,571	(834,215)	30,718	2,788,604
Non-current lease liabilities	368,008	–	–	–	561,609	1,276,492	(401,876)	(248,822)	1,555,411
Total liabilities from financing activities	**20,565,802**	**18,754,784**	**(12,894,349)**	**(2,205,479)**	**891,333**	8,143,454	–	**(1,834,457)**	**31,421,088**

	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**

(in thousands of Russian rubles)

26. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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.

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 2020		*31 December 2019*	
	Carrying amount	***Fair value***	***Carrying amount***	***Fair value***
Assets				
Interest-bearing loans receivable at amortised cost	987,563	952,054	161,013	135,550
Total assets	**987,563**	**952,054**	**161,013**	**135,550**
Liabilities				
Interest-bearing loans and borrowings	17,335,298	15,799,424	4,835,128	4,650,963
Debts securities issued	8,203,519	8,430,447	12,668,293	12,788,399
Total liabilities	**25,538,817**	**24,229,871**	**17,503,421**	**17,439,362**

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.

(in thousands of Russian rubles)

26. Financial risk management objectives and policies (continued)

Market risk (continued)

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.

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 year.

Fair value measurement hierarchy for assets and liabilities as at 31 December 2020:

	Total	***Level 1***	***Level 2***	***Level 3***
Non-financial assets measured at fair value				
Investment property	**9,069,712**	–	–	9,069,712
Financial assets for which fair value is disclosed				
Interest-bearing loans receivable	**789,913**	–	–	789,913
Financial liabilities for which fair value is disclosed				
Interest-bearing loans and borrowings	**15,799,424**	–	–	15,799,424
Debts securities issued	**8,430,447**	–	8,430,447	–
Contingent consideration (Note 21)	**379,086**	–	–	379,086

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 21)	**328,407**	–	–	328,407

(in thousands of Russian rubles)

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.

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 2020

	Ural region	***Moscow***	***Northwest region***	***Management company***	***Total***
Segment revenue recognized over time	8,945,473	11,222,956	–	96,817	**20,265,246**
Segment revenue recognized at point in time	4,823,487	1,516,637	1,009,623	417,081	**7,766,828**
Intersegment revenue	321,569	3,113	784	975,860	**1,301,326**
Total segment revenue	**14,090,529**	**12,742,706**	**1,010,407**	**1,489,758**	**29,333,400**

	Ural region	***Moscow***	***Northwest region***	***Management company***	***Total***
External segment operating profit/(loss)	1,048,200	3,531,587	7,376	(769,445)	**3,817,718**
Intersegment operations	197,454	(91,927)	784	1,457,270	**1,563,581**
Total segment operating profit/(loss)	**1,245,654**	**3,439,660**	**8,160**	**687,825**	**5,381,299**

Year ended 31 December 2019

	Ural region	***Moscow***	***Northwest region***	***Management company***	***Total***
Segment revenue recognized over time	8,091,733	1,955,605	111,164	152,589	**10,311,091**
Segment revenue recognized at point in time	3,348,672	2,181,652	1,523,785	539,418	**7,593,527**
Intersegment revenue	300,057	–	1,286	1,176,211	**1,477,554**
Total segment revenue	**11,740,462**	**4,137,257**	**1,636,235**	**1,868,218**	**19,382,172**

	Ural region	***Moscow***	***Northwest region***	***Management company***	***Total***
External segment operating profit/(loss)	860,606	957,308	4,750	(982,936)	**839,728**
Intersegment operations	(305,259)	(509,067)	(135,064)	1,508,630	**559,240**
Total segment operating profit/(loss)	**555,347**	**448,241**	**(130,314)**	**525,694**	**1,398,968**

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.

(in thousands of Russian rubles)

27. Segment information (continued)

Reconciliation of segments' results to profit/(loss)

	For the years ended 31 December	
	2020	***2019***
Revenue reconciliation		
Total revenue from reportable segments	29,333,400	19,382,172
Elimination of intersegment revenue	(1,301,326)	(1,477,554)
Revenue from non-reportable segments	1,222,795	486,364
Adjustments of revenue	1,765,336	242,476
Total Group revenue from contracts with customers	**31,020,205**	**18,633,458**
Rental income	53,247	36,846
Total	**31,073,452**	**18,670,304**
Operating profit reconciliation		
Total operating profit from reportable segments	5,381,299	1,398,968
Elimination of intersegment operations	(1,563,581)	(559,240)
Operating loss/(profit) from non-reportable segments	139,969	(123,493)
Adjustments of operating profit	1,275,567	1,029,131
Change in fair value of investment property	54,598	(940,918)
Total Group operating profit	**5,287,852**	**804,448**
Finance income	350,035	475,255
Finance costs	(3,393,752)	(2,698,186)
Net loss attributable to non-controlling participants in LLC	–	(146,910)
Foreign exchange gain, net	18,659	1,126
Share of profit/(loss) of associate	43,163	(5,505)
Profit/(loss) before income tax	**2,305,957**	**(1,569,772)**
Income tax (expense)/benefit	(800,652)	50,514
Net profit/(loss) for the year from continuing operations	**1,505,305**	**(1,519,258)**

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

On 10 February and 2 April 2021, the Group repaid its obligations under coupon on bonds in amount of 309,693.

In January-May 2021 debt securities of the third and seventh issue in the total number of 1,670,000 amounting to 1,670,000 at amortized cost were repurchased by the Group's subsidiaries.

In January-May 2021 the Group partially repaid its obligations under existing credit facilities in the total amount of 1,382,580.

In January- May 2021 the Group received loans in the total amount of 7,097,155.

In January-May 2021 the Group are refunded loans receivable and percent in the total amount of 809,516.

In January- May 2021 the Group provided loan facilities in the total amount of 67,058.