Etalon Group PLC

Consolidated Interim Financial Statements

For the six months ended 30 June 2020

Contents

INTERIM MANAGEMENT REPORT

The Board of Directors of Etalon Group PLC (the "Company") presents to the members its Interim Management Report together with the Consolidated Interim Financial Statements of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2020. The Group's consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, including the requirements of IAS 34 "Interim Financial Reporting".

Financial results

The results of the Group for the six months ended 30 June 2020 are set out on page 10 of the consolidated interim financial statements.

(a) Revenue

The Group's total revenue for the six months ended 30 June 2020 amounted to RUB 30 868 million as compared to RUB 39 562 million for the six months ended 30 June 2019, a decrease of RUB 8 694 million or 22%.

Revenue of the reportable segment "Residential development" decreased by RUB 7 067 million or 21%, due to a decrease in the revenues recognised from the sales of flats by RUB 5 474 million or 19% and a decrease in the revenue recognised from the sales of parking places by RUB 750 million or 33%, and a decrease in the revenue recognised from the sale of built-in commercial premises by RUB 843 million or 33%.

External revenues of the reportable segment "Construction services" decreased by RUB 1 341 million or 45%.

External revenues of the reportable segment "Other" decreased by RUB 286 million or 11% due to a decrease in the sales of construction materials by RUB 623 million or 45%, a decrease in rental revenue by RUB 22 million or 6%, partially offset by an increase in the sales of stand-alone commercial premises by RUB 101 million, and an increase in other revenue related to servicing of premises by RUB 258 million or 28%.

The decrease of revenue was mainly driven by overall economic turbulence as the result of COVID-19 pandemic (refer to paragraph "Nonrecurring or unusual activities and other significant events" below).

(b) Gross profit

Gross profit for the six months ended 30 June 2020 is RUB 7 518 million compared to RUB 9 099 million for the six months ended 30 June 2019 (as revised), a decrease of RUB 1 581 million or 17%, which was mainly driven by the decrease in gross profit of the reportable segment "Residential development" by RUB 1 742 million or 19%.

(c) Results from operating activities

Profit from operating activities during the six months ended 30 June 2020 amounted to RUB 2 202 million compared to a profit of RUB 3 529 million for the six months ended 30 June 2019 (as revised), a decrease of RUB 1 327 million or 38%. The decrease was mainly affected by the impact of reduction in gross profit.

During the six months ended 30 June 2020, general and administrative expenses decreased by RUB 762 million or 25%, mainly due to a reduction of payroll expenses and related taxes by RUB 449 million or 25%, a reduction in other taxes by RUB 137 million or 52%, and a reduction in audit and consulting services by RUB 188 million or 62%.

Selling expenses decreased by RUB 318 million or 13%.

Oher expenses, net increased by RUB 159 million or 22%, compared to the six months ended 30 June 2019, as revised, mainly due to an increase in the cost of social infrastructure for completed projects by RUB 161 million, an increase in fees and penalties incurred by RUB 27 million or 35%, and an increase in other expenses by RUB 127 million or 79%, offset by a decrease in impairment loss on inventories of RUB 139 million or 30%.

(f) Net finance costs

Net finance costs for the six months ended 30 June 2020 increased by RUB 778 million or 37% compared to the six months ended 30 June 2019.

Finance income decreased by RUB 279 million or 18% mainly due to a decrease in interest income on cash and cash equivalents and bank deposits by RUB 419 million or 37%, offset by an increase in the unwinding of the discount on trade receivables of RUB 64 million or 23% and a gain on write-off of accounts payable of RUB 84 million or 240%.

Finance costs increased by RUB 499 million or 14% due to an increase in expensed financing component and borrowing costs by RUB 575 million or 18%, resulting from the overall increase in bank and customer financing, offset by a decrease in interest expense on leases by RUB 34 million or 28%, a decrease in unwinding of discount on other payables of RUB 16 million or 8% and net foreign exchange loss of RUB 66 million.

(g) Income tax expense

Income tax expense for the six months ended 30 June 2020 amounted to RUB 1 082 million compared to income tax expense of RUB 857 million during the six months ended 30 June 2019, an increase of RUB 225 million or 26%. Income tax expense increased despite the fact that (loss)/profit before income tax for the six months ended 30 June 2020 decreased by RUB 2 105 million or 149% compared to the six months ended 30 June 2019. Such an increase was driven by the write-off of previously recognised deferred tax assets in the amount of RUB 524 million and an increase in the tax effect of expenses not deductible and income not taxable for tax purposes, net by RUB 138 million during the six months ended 30 June 2020.

(h) (Loss)/profit for the period

The loss for the six months ended 30 June 2020 attributable to the owners of the Company amounted to RUB 1 772 million, compared to the profit of RUB 1 142 million for the six months ended 30 June 2019 (as revised).

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in the notes 1(b), 2(d) and 26 of the Consolidated Interim Financial Statements.

Future developments of the Group

The Board of Directors expects continued growth in the Group’s operations in all markets of its presence, and the improvement in the financial position and financial performance of the Group.

Nonrecurring or unusual activities and other significant events

As the Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020, oil prices dropped by more than 40%, which resulted in the immediate weakening of Russian Ruble against major currencies.

In addition, starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by the Russian Federation to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant effect on the businesses across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the impact of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy.

The quarantine measures introduced in the Russian Federation included the closure of the Group's sales offices. In addition to that, the Government of Moscow imposed a temporary ban on construction works that lasted from the 13th of April until the 12th of May.

The Group managed to provide the necessary conditions for the safe conduct of construction works on all of its construction sites. In the Moscow region, the Group resumed construction shortly after the temporary ban on construction was lifted due to the flexible construction technology and the availability of own general contractors and sub-contractors. In Saint-Petersburg construction works continued uninterrupted. As a result, all projects that were planned for completion during the six months ended 30 June 2020 were completed on time.

In the first weeks following the introduction of restrictive measures, the Group launched an online real estate sales service, formed operational teams of managers, and strengthened its call center. The Group developed a new model of interaction with clients including virtual showrooms, virtual and augmented reality projects that provide a complete picture of the future apartments.

The Group's office-based employees have been successfully moved to remote working.

The quarantine measures, accompanied by the reduction of disposable income of households and the increase in unemployment rates, led to the overall decrease of the demand for real estate. At the same time, the Government of the Russian Federation has implemented various measures to support both the construction industry and its clients, including the introduction of the preferential 6,5% p.a. mortgage program and the increase of its price limits on apartments, that had a significant positive impact on the demand for real estate.

As of the reporting date, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including the operation of the Group's sales offices, and the Group observes that the demand for real estate is recovering.

Significant events subsequent to the reporting date are disclosed in note 33 of the Consolidated Interim Financial Statements.

Related party transactions

Related party transactions are disclosed in note 31 of the Consolidated Interim Financial Statements.

Dividends

On 20 July 2020, the Board of Directors of the Company recommended payment of a final dividend for the financial year 2019 in the amount of RUB 12 per share / GDR. The dividend will be payable on 16 December 2020 to shareholders on record as at the 20 November 2020. Dividend is subject to approval by the Annual General Meeting of Shareholders which will be held on 23 October 2020.

INTERIM MANAGEMENT REPORT (CONTINUED)

We hereby confirm that there is no other substantial information, which affects or could affect the assessment or evaluation by the readers of this Interim Management Report, regarding profits and losses for the reporting period or any future periods, the prospects and trends of the operations other than those disclosed by the Company in the Consolidated Interim Financial Statements and the Interim Management Report.

Financial statements

The Group's Consolidated Interim Financial Statements as reviewed by the independent auditors will not be sent to the owners but will be posted on the corporate website, www.etalongroup.com. Investors may obtain copies of the Consolidated Interim Financial Statements, free of charge, from the Group's registered office, 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus, or from the corporate website, www.etalongroup.com.

By order of the Board of Directors,

Charalampos Avgousti	Sergey Egorov
Director	Director

Nicosia

29 September 2020

Responsibility statement of the Directors and management of the Company in accordance with the Transparency Law

We, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated interim financial statements of ETALON GROUP PLC (the 'Company'), the names of which are listed below, in accordance with the requirements of the Section 10 of the Transparency Requirements (Security Admitted to Trading) Law 190(I)/2007 (hereinafter the "Transparency Law"), as amended, confirm that we have complied with the requirements in preparing the half-yearly financial report and that to the best of our knowledge:

(a) The consolidated interim financial statements for the six-month period ended 30 June 2020:

(i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the provisions of section 10(4) of the Transparency Law;

(ii) Give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated interim financial statements taken as a whole, and

(b) the consolidated interim management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces. The consolidated interim management report provides a fair overview on information required as per Section 10(6) of the Transparency Law.

SERGEY EGOROV, Chairman of the Board of Directors	
MAKSIM BERLOVICH, Member of the Board of Directors	
OLEG MUBARAKSHIN, Member of the Board of Directors	
MARINA OGLOBLINA, Member of the Board of Directors	
GANNA KHOMENKO, Member of the Board of Directors	
MARTIN ROBERT COCKER, Member of the Board of Directors	
BORIS SVETLICHNY, Member of the Board of Directors	Boris Svetlichny
CHARALAMPOS AVGOUSTI, Member of the Board of Directors	
DENIS VINOKUROV, Member of the Board of Directors	
GENNADII SHCHERBINA, Chief Executive Officer	
ILYA KOSOLAPOV, Chief Financial Officer	

September 29, 2020

Deloitte.

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Report on Review of interim consolidated financial statements

To the Members of Etalon Group PLC

Introduction

We have reviewed the accompanying interim consolidated financial statements of Etalon Group PLC ("the Company") and its subsidiaries (together with the Company, the "Group") on pages 10 to 72 which comprises the interim consolidated statement of financial position as at 30 June 2020 and the interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information ("the interim consolidated financial statements").

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report and the Responsibility Statement of the Directors and Management of the Company, which are presented in pages 3 to 7, and the supplementary information included in pages 73 to 74 presented for the purpose of additional analysis, but does not include the consolidated financial statements and our review report thereon.

Our review conclusion on the interim consolidated financial statements does not cover the other information.

Board of Directors' responsibilities

The Company's Board of Directors is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as adopted by the European Union.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review. This report, including the conclusion, has been prepared for and only for the Company. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Deloitte.

Report on Review of interim consolidated financial statements (continued)

To the Members of Etalon Group PLC

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements for the six-month period ended 30 June 2020 do not present fairly, in all material respects, the consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Deloitte Limited

Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 29 September 2020

		Six months ended 30 June	
mln RUB	**Note**	**2020**	**2019 (revised) ***
Revenue from sale of real estate accounted for at historical cost		20 873	30 229
Revenue from sale of real estate acquired through business combinations and recognised at fair value at initial recognition		5 975	3 686
Other revenue		4 020	5 647
Revenue	6	30 868	39 562
Cost of sales of real estate accounted for at historical cost		(14 155)	(21 497)
Cost of sales of real estate acquired through business combinations and recognised at fair value at initial recognition		(5 457)	(3 440)
Other cost of sales		(3 738)	(5 526)
Cost of sales		(23 350)	(30 463)
Gross profit from sales of real estate accounted for at historical cost		6 718	8 732
Gross profit from sales of real estate acquired through business combinations and recognised at fair value at initial recognition		518	246
Gross profit from other sales		282	121
Gross profit		7 518	9 099
General and administrative expenses	7	(2 319)	(3 081)
Selling expenses		(2 038)	(2 356)
Impairment loss on trade and other receivables	26 (b)(iii)	(80)	(142)
Gain from bargain purchase	27	-	729
Other expenses, net	8	(879)	(720)
Results from operating activities		2 202	3 529
Finance income – interest revenue	11	1 125	1 517
Finance income - other	11	150	37
Finance costs	11	(4 166)	(3 667)
Net finance costs		(2 891)	(2 113)
(Loss)/profit before income tax		(689)	1 416
Income tax expense	12	(1 082)	(857)
(Loss)/profit for the period		(1 771)	559
Total comprehensive (loss)/income for the period		(1 771)	559
(Loss)/profit attributable to:			
Owners of the Company		(1 772)	1 142
Non-controlling interest		1	(583)
(Loss)/profit for the period		(1 771)	559
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(1 772)	1 142
Non-controlling interest		1	(583)
Total comprehensive (loss)/income for the period		(1 771)	559
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share (RUB)	22	(6,01)	3,87

* During the year ended 31 December 2019, upon completion of initial accounting for the business combination, the Group made adjustments to the provisional amounts of acquired net identifiable assets, initially recognised as of 30 June 2019 (note 27). Comparative information for the six months ended 30 June 2019 has been revised. See also note 2(e) for the changes in accounting policies.

The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 16 to 72.

mln RUB	Note	30 June 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	3 431	3 561
Investment property	14	853	1 065
Other long-term investments	15	71	190
Trade and other receivables	18	4 442	4 692
Deferred tax assets		5 221	3 921
Total non-current assets		**14 018**	**13 429**
Current assets			
Inventories under construction and development	17	81 132	85 270
Inventories - finished goods	17	14 508	14 286
Other inventories	17	1 717	1 133
Advances paid to suppliers	18	9 221	9 750
Costs to obtain contracts		755	752
Contract assets	18	3 976	2 463
Trade receivables	18	5 744	7 444
Other receivables	18	5 834	5 486
Short-term investments	19	304	203
Cash and cash equivalents	20	24 678	31 128
Total current assets		**147 869**	**157 915**
Assets held for sale	16	402	-
Total assets		**162 289**	**171 344**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	2	2
Share premium	21	15 486	15 486
Reserve for own shares	21	(1)	(1)
Retained earnings		35 317	37 089
Total equity attributable to equity holders of the Company		**50 804**	**52 576**
Non-controlling interest		1	-
Total equity		**50 805**	**52 576**

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 16 to 72.

mln RUB	Note	30 June 2020	31 December 2019
Non-current liabilities			
Loans and borrowings	23	33 623	42 258
Trade and other payables	25	1 411	3 227
Provisions	24	183	116
Deferred tax liabilities		7 342	6 463
Total non-current liabilities		**42 559**	**52 064**
Current liabilities			
Loans and borrowings	23	15 161	10 434
Trade and other payables	25	19 913	19 142
Contract liabilities	25	33 229	36 439
Provisions	24	622	689
Total current liabilities		**68 925**	**66 704**
Total equity and liabilities		**162 289**	**171 344**

These Consolidated Interim Financial Statements were approved by the Board of Directors on 29 September 2020 and were signed on its behalf by:

Charalampos Avgousti
Director

Sergey Egorov
Director

	Attributable to equity holders of the Company						
mln RUB	**Share capital**	**Share premium**	**Reserve for own shares**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2019	2	15 486	(1)	40 306	55 793	2	**55 795**
Total comprehensive income for the period							
Profit for the period, revised *	-	-	-	1 142	1 142	(583)	**559**
Total comprehensive income for the period, revised	-	-	-	1 142	1 142	(583)	**559**
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	-	-	(13)	**(13)**
Acquisition of subsidiary with NCI (note 27), revised	-	-	-	-	-	15 289	**15 289**
Total transactions with owners, revised *	-	-	-	-	-	15 276	**15 276**
Balance as at 30 June 2019, revised *	**2**	**15 486**	**(1)**	**41 448**	**56 935**	**14 695**	**71 630**

* During the year ended 31 December 2019, upon completion of initial accounting for the business combination, the Group made adjustments to the provisional amounts of acquired net identifiable assets, initially recognised as of 30 June 2019 (note 27). Comparative information for the six months ended 30 June 2019 has been revised. See also note 2(e) for the changes in accounting policies.

	Attributable to equity holders of the Company						
mln RUB	**Share capital**	**Share premium**	**Reserve for own shares**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2020	2	15 486	(1)	37 089	52 576	-	**52 576**
Total comprehensive loss for the period							
Loss for the period	-	-	-	(1 772)	(1 772)	1	**(1 771)**
Total comprehensive loss for the period	-	-	-	(1 772)	(1 772)	1	**(1 771)**
Balance as at 30 June 2020	**2**	**15 486**	**(1)**	**35 317**	**50 804**	**1**	**50 805**

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 16 to 72.

mln RUB	**Notes**	**Six months ended 30 June 2020**	**2019 (revised) ***
OPERATING ACTIVITIES:			
(Loss)/profit for the period		(1 771)	559
Adjustments for:			
Depreciation	13, 14	385	270
Gain on disposal of property, plant and equipment	8	(25)	(14)
Gain on disposal of investment property	8	(23)	-
Impairment loss on inventories	17	319	458
Impairment loss on trade and other receivables, advances paid to suppliers and investments	26 (b)(iii)	126	180
Gain from bargain purchase	27	-	(729)
Finance costs, net	11	2 891	2 113
Income tax expense	12	1 082	857
Cash from operating activities before changes in working capital and provisions		**2 984**	**3 694**
Change in inventories		2 781	7 357
Change in accounts receivable		2 635	(1 862)
Change in accounts payable		(2 870)	(9 286)
Change in provisions	24	-	(316)
Change in contract assets	18	(1 513)	(333)
Change in contract liabilities	25	(3 210)	13 454
Cash generated from operating activities		**807**	**12 708**
Income tax paid		(1 731)	(1 620)
Interest paid		(2 504)	(2 056)
Net cash (used in)/from operating activities		**(3 428)**	**9 032**
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		92	51
Proceeds from disposal of investment property		62	-
Interest received		723	1 238
Acquisition of property, plant and equipment		(306)	(335)
Loans given		(8)	(2)
Loans repaid		29	18
Acquisition of subsidiary, net of cash acquired		-	(10 481)
Acquisition of other investments	15, 19	(104)	(826)
Disposal of other investments	15, 19	105	885
Net cash from/(used in) investing activities		**593**	**(9 452)**
FINANCING ACTIVITIES:			
Proceeds from borrowings	23	1 367	15 719
Repayments of borrowings	23	(4 958)	(2 126)
Payments for lease liabilities, excluding interest	28	(52)	(363)
Dividends paid		-	(13)
Net cash (used in)/from financing activities		**(3 643)**	**13 217**
Net (decrease)/increase in cash and cash equivalents		(6 478)	12 797
Cash and cash equivalents at the beginning of the period		31 128	23 066
Effect of exchange rate fluctuations		28	(66)
Cash and cash equivalents at the end of the period	20	**24 678**	**35 797**

* During the year ended 31 December 2019, upon completion of initial accounting for the business combination, the Group made adjustments to the provisional amounts of acquired net identifiable assets, initially recognised as of 30 June 2019 (note 27). Comparative information for the six months ended 30 June 2019 has been revised. See also note 2(e) for the changes in accounting policies.

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 16 to 72.

1 Background

a) Organisation and operations

Etalon Group PLC (Etalon Group Public Company Limited before 27 July 2017 and Etalon Group Limited before 5 April 2017) (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian joint stock companies and limited liability companies, as defined in the Civil Code of the Russian Federation, and companies located abroad.

The Company was incorporated on 8 November 2007 in the Bailiwick of Guernsey.

On 5 April 2017, the Company migrated from Guernsey, Channel Islands, and was registered in the Republic of Cyprus under the name of Etalon Group Public Company Limited.

On 27 July 2017, the Annual General Meeting of Shareholders resolved to change the name of the Company from Etalon Group Public Company Limited to Etalon Group PLC. On 8 August 2017, the change of the Company's name was approved by the Registrar of Companies and Official Receiver of the Republic of Cyprus.

The Company's registered office is located at:

2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus

The Group's principal activity is residential development in the Saint-Petersburg metropolitan area and the Moscow metropolitan area, both of which are located in the Russian Federation.

In April 2011, the Company completed an initial public offering and placed its ordinary shares in the form of global depository receipts ("GDR") on the Main Market of the London Stock Exchange.

b) Business environment

Starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by the Russian Federation to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant effect on the businesses across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The quarantine measures introduced in the Russian Federation included the closure of the Group's sales offices. In addition to that, the Government of Moscow imposed a temporary ban on construction works that lasted from the 13th of April until the 12th of May.

The Group managed to provide the necessary conditions for the safe conduct of construction works on all of its construction sites. In the Moscow region, the Group resumed construction shortly after the temporary ban on construction was lifted due to the flexible construction technology and the availability of own general contractors and sub-contractors. In Saint-Petersburg construction works continued uninterrupted. As a result, all projects that were planned for completion during the six months ended 30 June 2020 were completed on time.

In the first weeks following the introduction of restrictive measures, the Group launched an online real estate sales service, formed operational teams of managers, and strengthened its call center.

The Group's office-based employees have been moved to remote working.

The quarantine measures, accompanied by the reduction of disposable income of households and the increase in unemployment rates, led to the overall decrease of the demand for real estate. At the same time, the Government of the Russian Federation has implemented various measures to support both the construction industry and its clients, including the introduction of the preferential 6,5% p.a. mortgage program and the increase of its price limits on apartments, that had a significant positive impact on the demand for real estate.

As of the reporting date, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including the operation of the Group's sales offices, and the Group observes that the demand for real estate is recovering.

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

The consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union (the "EU"), including the requirements of IAS 34 "Interim Financial Reporting".

b) Basis of measurement and going concern principle

The consolidated interim financial statements are prepared on the historical cost basis. Management prepared these consolidated interim financial statements on a going concern basis.

The Group developed a stress scenario of the possible impact of the current operating environment on the Group's demand and supply chain, including the availability of construction workers and management personnel, and eventually on cash flows and liquidity position, including the consideration of debt covenants. The scenario demonstrated the Group's ability to continue as a going concern.

c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the Company’s functional currency and the currency in which these consolidated interim financial statements are presented. The functional currency of most of the Group’s subsidiaries, including foreign operations, is the RUB, as the activities of foreign operations are carried out as an extension of the activities of the Group in the Russian Federation.

All financial information presented in RUB has been rounded to the nearest million.

d) Use of estimates and judgments

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 6 – revenue: measurement of the progress towards complete satisfaction of the performance obligation, including estimation of the total costs to satisfy the performance obligation;
- Note 17 – inventories –impairment provisions: the discount rate and the years of turnover of parking places; recognition of obligations for the construction of social infrastructure: construction budgets and timing of construction;
- Note 26(b)(iii) – measurement of Expected Credit Loss (ECL) allowance for trade and other receivables and contract assets: probability of default and loss given default;
- Note 27 – acquisition of subsidiary: fair value of the assets acquired and liabilities assumed.

e) Changes in accounting policies

The Group has consistently applied the accounting policies to all periods presented in these consolidated interim financial statements, except as described below.
During the year ended 31 December 2019, the Group changed the presentation of other taxes (mainly property tax on apartments owned by the Group) from cost of sales to other expenses, net, for the consistency with presentation of taxes. The Group revised comparative information for the six months ended 30 June 2019 as follows: cost of sales were decreased by RUB 209 million, while other expenses, net were increased accordingly.

i) New Standards and Interpretations

The Group adopted all new standards and interpretations that were effective from 1 January 2020. The adoption of these standards and interpretations did not have any material effect on the Group’s consolidated interim financial statements.

New and amended standards and interpretations issued but not yet effective

The following amendments to the standards and interpretations are effective for annual periods beginning on or after 1 January 2021. The Group has not yet analysed the likely impact of the new standards and interpretations on its financial position or performance.

- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 - classification of liabilities as current or non-current – (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 9 as a result of the 2018-2020 Annual Improvements to IFRSs. - fees in the "10 percent" test for derecognition of financial liabilities (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 10 and IAS 28 - sale or contribution of assets between an investor and its associate or joint venture (effective date to be determined by the IASB);
- Amendments to IAS 16, prohibiting companies from deducting from the value of property, plant and equipment the amounts received from sale of manufactured items while the company is preparing the asset for its intended use (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 - costs to be included in assessing onerous contracts (effective for annual periods beginning on or after 1 January 2022);
- Other annual improvements to IFRSs.

3 Significant accounting policies

a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The identifiable assets acquired and the liabilities assumed, as well as the consideration transferred in the acquisition are measured at their acquisition-date fair values.

The Group recognises goodwill as of the acquisition date as acquisition-date fair value consideration transferred plus the amount of any non-controlling interest in the acquiree plus the acquisition-date fair value of the acquirer's previously held equity interest in the acquire (in a business combination achieved in stages) less the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another entity when it holds more than half of the voting rights of the other entity. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date on which control commences until the date on which control ceases. The Group's significant subsidiaries are disclosed in note 32.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

b) Foreign currency

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

c) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets – assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

– contingent events that would change the amount or timing of cash flows;

– terms that may adjust the contractual coupon rate, including variable-rate features;

– prepayment and extension features; and

– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent solely with the payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the Central Bank of Russia (CBR). The Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

(iii) Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Impairment

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

– financial assets measured at amortised cost;

– debt investments measured at FVOCI; and

– contract assets.

The Group uses a simplified approach to measure loss allowance at an amount equal to lifetime ECLs for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

For measuring of loss allowance for trade receivables and contract assets, the Group allocates those financial assets into the following two categories based on shared credit risk characteristics that are determined by existence of a collateral:

– Trade receivables and contract assets arising from sales of real estate;

– Trade receivables and contract assets arising from provision of construction services and other operations.

The Group does not transfer title for sold properties to customers until they settle their accounts in full. In case a customer fails to settle obligations in a reasonable time as determined in their sales contract, the Group initiates termination of the sales contract, the properties are returned to the Group and in addition, the Group withholds a penalty from the amount of consideration it returns to the customer. The properties are subsequently sold to other customers, and the cash flows from sale of collateral are included into the cash flows that the Group expects to receive under the initial contract. The Group estimates and recognises ECLs on trade receivables based on its own statistics about contract termination and credit losses incurred.

For the second category of receivables and contract assets, the Group calculates ECL based on individual credit risk ratings of each debtor and the remaining terms to maturity. The Group determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group defines default event when a financial asset is more than 90 days past due or it is unlikely that the debtor's obligations to the Group will be repaid in full without the Group taking such actions as the sale of the collateral (if any).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery of a financial asset. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

d) Advances paid and contract liabilities

Due to the nature of its activities, the Group receives significant advances from customers (designated as contract liabilities), and makes significant prepayments to sub-contractors and other suppliers. Advances paid are recognised on an undiscounted basis. The Group adjusts contract liabilities for the significant financing component if the timing of payments agreed to by the parties provides the Group with a significant benefit of financing.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and call deposits with original maturities of three months or less. In accordance with IFRS 9, cash and cash equivalents are classified at amortised cost.

f) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 January 2008, the date of transition to IFRSs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings and constructions 7-30 years;
- Machinery and equipment 5-15 years;
- Vehicles 5-10 years;
- Other assets 3-7 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. No estimates in respect of plant and equipment were revised in 2019.

g) Investment property

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

h) Inventories

Inventories comprise real estate properties under construction and development (including residential premises, stand-alone and built-in commercial premises) when the Group acts in the capacity of a developer, finished goods, and construction and other materials.

The Group accounts for stand-alone and built-in commercial properties within inventories because it does not intend to engage in renting-out those assets and keeping those as investment properties to generate rental income and benefit from appreciation. Properties classified as inventory may be rented out on a temporary basis while the Group is searching for a buyer. Inventories are measured 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.

The cost of real estate properties under construction and development is determined on the basis of specific identification of their individual costs. The costs of individual residential units and built-in commercial premises are arrived at by allocating the costs of a particular development project to individual apartments and built-in premises on a pro rata basis relative to their size.

Since 1 January 2017, for items on which revenue is recognized over time, real estate property under construction and development is treated as an asset ready for sale in its current condition and is not a qualifying asset for the capitalization of borrowing costs.

The costs of real estate property comprise costs of construction and other expenditure directly attributable to a particular development project.

The cost of inventories, other than construction work in progress intended for sale, is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity. Transfer from real estate properties under construction and development to the stock of finished goods occurs when the respective building is approved by the State commission established by the local regulating authorities for acceptance of finished buildings and the building is ready for housing.

The Group’s inventory is not limited to 12 months and may be of longer term since the development cycle exceeds 12 months. Inventories are classified as current assets even when they are not expected to be realised within twelve months after the reporting date.

i) Revenue

(i) Revenue from sale of real estate properties (including flats, commercial premises and parking places)

Revenue is measured based on the consideration specified in a contract with a customer adjusted for the effect of the time value of money (significant financing component) if the timing of payments agreed to by the parties provides the customer or the Group with a significant benefit of financing. The timing of satisfaction of the Group’s performance obligations does not necessarily correspond to the typical payment terms, as the Group either accepts full down payments at the inception of construction, or provides instalment plans for the whole period of construction or beyond it.

The Group recognises revenue when (or as) it transfers control over an asset to a customer. Transfer of control may vary depending on the individual terms of the sales contracts.

For contracts for the sale of finished goods, the Group generally considers that control have been transferred on the date when a buyer signs the act of acceptance of the property.

For each performance obligation satisfied over time (promise to transfer an apartment specified in the contract with a customer in a multicompartment building under construction), the Group recognises revenue over time by measuring the progress towards satisfaction of that performance obligation using the input method.

The Group applies the input method because it believes that there is a direct relationship between the Group's inputs and the transfer of control of goods or services to a customer. The measurement of the value to the customer of the goods or services transferred to date, applied under the output method, is not available for the Group without undue cost. The Group excludes from the input method the effects of any inputs that do not contribute to the Group's progress in satisfying the performance obligation.

Under the input method, revenue is recognised on the basis of costs incurred relative to the total expected costs to the satisfaction of that performance obligation that is the proportion of costs incurred to date to construct a multicompartment building to the total costs to construct the building in accordance with a business plan.

The progress is considered to be the same for all apartments within a building, irrespective of their floors, and revenue is recognised with respect to apartments that are contracted under share participation agreements. Costs used to measure progress towards complete satisfaction of performance obligation include costs of design and construction of a multicompartment building and exclude the cost of acquisition of land plots. The cost of acquisition of land plot is recognised in cost of sales consistently with the transfer to the customers of the apartments to which the land plot relates.

In relation to sales via housing cooperatives, revenue is recognized on the date when sold real estate property is transferred to, and accepted by, the cooperative. Before that date, the respective building has to be approved by the State commission for acceptance of finished buildings.

When adjusting the promised amount of consideration (monetary or non-monetary) for a significant financing component, the Group applies discount rates that would be reflected in a separate financing transaction between the entity and its customer at contract inception that is typically the average mortgage rate for contract assets and the Group's incremental borrowing rate for contract liabilities.

When the Group finances construction of residential buildings using project financing backed by balances on escrow accounts, it adjusts transaction price for the difference between interest expense on borrowings calculated using the base interest rate and the preferential interest rate.

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 the transfer of a promised good to a customer and the customer's payment for that good will be one year or less.

Costs to obtain contracts

The Group recognises as an asset the incremental costs of obtaining a contract with a customer. These costs usually include sales commissions and insurance payments for share participation agreements. Such assets are amortised on the basis of the progress towards complete satisfaction of respective performance obligations and are included into selling expenses.

(ii) Revenue from construction services

For accounting purposes, the Group distinguishes two types of construction contracts:

1) Contracts for provision of construction services;

2) Contracts for construction of an asset.

For the first type of contracts, revenue from construction services rendered is recognized in the consolidated statement of Profit or Loss and Other Comprehensive Income when the Group transfers control of a service to customer. These contracts are normally short-term, therefore revenue is recognised when the customer signs the act of acceptance of the construction service.

For the second type of contracts revenue is recognized over time by measuring progress towards complete satisfaction of the performance obligation at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, using the input method. Contract costs are recognised as expenses in the period in which they are incurred except when the costs are the costs that generate or enhance resources of the entity that will be used in satisfying a performance obligation in future.

Some or all of an amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when that uncertainty associated with the variable consideration is subsequently resolved.

The Group accounts for a contract modification (change in the scope or price (or both)) when that is approved by the parties to the contract.

Where the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognised to the extent of costs incurred in satisfying the performance obligation that is expected to be recovered.

When it becomes probable that total contract costs will exceed total contract revenue, the Group recognises expected losses from onerous contract as an expense immediately.

(iii) Revenue from sale of construction materials

Revenue from the sale of construction materials is recognised in the consolidated statement of profit or loss and other comprehensive income when the Customer obtains control of a promised asset.

j) Leases

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 for consideration.

The Group recognises right-of-use assets and lease liabilities primarily for its operating leases of land plots for development purposes.

The Group does not present right-of-use assets for land plots separately in the statement of financial position but includes such assets within inventories under construction and development. The depreciated part of right-of-use asset arising from lease of land plots is recognised within cost of sales on the same basis as the cost of acquisition of land plots, see note 3(h)(i).

The Group presents lease liabilities in "Trade and other payables" (note 25) in the statement of financial position.

In accordance with IFRS 16 variable payments which do not depend on an index or rate, i.e. do not reflect changes in market rental rates, should not be included in the calculation of lease liability. In respect of municipal (or federal) land leases where the lease payments are based on cadastral value of the land plot and do not change until the next potential revision of that value or payments (or both) by the authorities, the Group determined that these lease payments are not considered as either variable (that depend on an index or rate or reflect changes in market rental rates) or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

The lease liability is initially measured at the present value of the outstanding lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

IFRIC 23 *Uncertainty over Income Tax Treatments* clarified how to account for a tax liability or a tax asset when there is an uncertainty over income tax treatments by the taxation authorities. The tax amounts recorded in these consolidated interim financial statements are consistent with the tax returns of the Group's subsidiaries and therefore no uncertainty is reflected in measurement of current and deferred taxes, as the Group believes that it is probable that the taxation authorities will accept the treatment in tax returns. The Group will reassess its judgements and estimates whenever there is a change in facts and circumstances – e.g. examinations of taxation authorities, changes in tax legislation or expiration of rights to examine tax amounts.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Non-derivative financial assets

The fair value of trade and other receivables, excluding construction work in progress and held to maturity investments, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Further information about the assumptions made in measuring fair values in course of business combinations is included in the note 27 – Acquisition of subsidiary.

5 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- *Residential development*. Includes construction of residential real estate including flats, built-in premises and parking places.
- *Construction services*. Includes construction services for third parties and for internal purpose.
- *Other operations.* Include selling of construction materials, construction of stand-alone premises for commercial use and various services related to sale and servicing of premises. None of these meets any of the quantitative thresholds for determining reportable segments during the six months ended 30 June 2020 or 2019.

Performance of the reporting segments is measured by the management based on gross profits, on the way in which the management organises the segments within the entity for making operating decisions and in assessing performance. General and administrative expenses, selling expenses, finance income and finance costs are treated as equally attributable to all reporting segments and are not analysed by the Group on a segment-by-segment basis and therefore not reported for each individual segment.

Segments' assets and segments' liabilities being analysed by the Board of Directors include inventories and contract liabilities as the key indicators relevant for segment performance measurement. Therefore, other assets and liabilities are not allocated between the segments.

a) Information about reportable segments

	Residential development		Construction services		Other		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
mln RUB	**2020**	**2019 (revised)**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019 (revised)**
External revenues	26 848	33 915	1 626	2 967	2 394	2 680	**30 868**	**39 562**
Inter-segment revenue	-	-	6 769	7 315	228	338	**6 997**	**7 653**
Total segment revenue	26 847	33 915	8 395	10 282	2 623	3 018	**37 865**	**47 215**
Gross profit	7 236	8 978	202	72	80	49	**7 518**	**9 099**
Gross profit, %	27%	26%						

	Residential development		Construction services		Other		Total	
mln RUB	**30 June 2020**	**31 December 2019**	**30 June 2020**	**31 December 2019**	**30 June 2020**	**31 December 2019**	**30 June 2020**	**31 December 2019**
Reportable segment assets: inventories	94 455	99 556	1 015	2	1 887	1 131	**97 357**	**100 689**
Total liabilities for reportable segments: contract liabilities	31 206	32 798	1 760	525	263	3 116	**33 229**	**36 439**

b) Geographical information

In presenting information on the basis of geographical information, revenue is based on the geographical location of properties. Non-current assets exclude financial instruments and deferred tax assets.

	Revenues		Non-current assets	
	Six months ended 30 June		30 June	31 December
mln RUB	**2020**	**2019**	**2020**	**2019**
St. Petersburg metropolitan area	16 419	17 395	2 918	3 190
Moscow metropolitan area	14 449	22 167	1 366	1 436
	30 868	**39 562**	**4 284**	**4 626**

c) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

mln RUB	Six months ended 30 June	
	2020	**2019 (revised)**
Revenues		
Total revenue for reportable segments	37 865	47 215
Elimination of inter-segment revenue	(6 997)	(7 653)
Consolidated revenue	**30 868**	**39 562**
Profit or loss		
Gross profit for reportable segments	7 518	9 099
General and administrative expenses	(2 319)	(3 081)
Selling expenses	(2 038)	(2 356)
Impairment loss on trade and other receivables	(80)	(142)
Gain from bargain purchase	-	729
Other expenses, net	(879)	(720)
Finance income and interest revenue	1 275	1 554
Finance costs	(4 166)	(3 667)
Consolidated (loss)/profit before income tax	**(689)**	**1 416**

	30 June 2020	**31 December 2019**
Assets		
Total assets for reportable segments: inventories	97 357	100 689
Total inventories	**97 357**	**100 689**
Liabilities		
Total liabilities for reportable segments: contract liabilities	33 229	36 439
Total contract liabilities	**33 229**	**36 439**

6 Revenue

mln RUB	Six months ended 30 June 2020	2019
Sale of flats - transferred at a point in time	4 439	7 961
Sale of flats - transferred over time	19 185	21 137
Sale of built-in commercial premises - transferred at a point in time	557	1 629
Sale of built-in commercial premises - transferred over time	1 178	949
Sale of parking places - transferred at a point in time	859	1 674
Sale of parking places - transferred over time	630	565
Total revenue - segment Residential development (note 5 (a))	26 848	33 915
Long term construction contracts - transferred over time	1 215	2 766
Short term construction services - transferred at a point in time	411	201
Total revenue of segment Construction services (note 5 (a))	1 626	2 967
Sale of construction materials - transferred at a point in time	757	1 380
Sale of stand-alone commercial premises - transferred over time	101	-
Other revenue - transferred at a point in time	1 181	923
Total other revenue (note 5 (a))	2 039	2 303
Total revenues from contracts with customers	**30 513**	**39 185**
Rental revenue (note 5 (a))	355	377
Total revenues	**30 868**	**39 562**

Contract balances

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

mln RUB	30 June 2020	31 December 2019
Trade receivables	9 943	12 073
Contract assets	3 976	2 463
Contract liabilities	(33 229)	(36 439)

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on sale of flats and built-in commercial premises under share participation agreements and for long-term construction contracts. Contract assets are transferred to trade receivables when the rights become unconditional.

Payment terms for contracts on the sale of flats and built-in commercial premises under share participation agreements usually include advance payments, payments in installments until the date of completion of construction and for specific projects - payment in arrears of 2 to 5 years after the date of completion of construction.

Contract liabilities include advance consideration received from customers.

The explanation of significant changes in contract asset and contract liability balances during the reporting period is presented in the table below.

mln RUB	Six months ended 30 June 2020 Contract assets	Contract liabilities	Six months ended 30 June 2019 Contract assets	Contract liabilities
Balance at 1 January	2 463	(36 439)	1 244	(27 149)
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	-	25 043	-	13 743
Increases due to cash received, excluding amounts recognized as revenue during the period	-	(20 478)	-	(18 846)
Acquisition through business combination	-	-	134	(7 065)
Transfers from contract assets recognised at the beginning of the period to receivables	(1 146)	-	(714)	-
Increase as a result of changes in the measure of progress	2 600	-	817	-
Financing component under IFRS 15	59	(1 355)	96	(1 286)
Balance at 30 June	3 976	(33 229)	1 577	(40 603)
Change during the period	**1 513**	**3 210**	**333**	**(13 454)**

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

30 June 2020 mln RUB	**2020**	**2021**	**2022**	**2023**	**Total**
Residential development	14 903	15 214	3 037	285	**33 439**
Construction services	1 037	-	-	-	**1 037**
Construction of stand-alone commercial premises	717	1 672	1 672	407	**4 468**
Total	**16 657**	**16 886**	**4 709**	**692**	**38 944**

31 December 2019 mln RUB	**2020**	**2021**	**2022**	**2023**	**Total**
Residential development	23 294	5 434	869	98	**29 695**
Construction services	2 313	-	-	-	**2 313**
Total	**25 607**	**5 434**	**869**	**98**	**32 008**

The Group applies a practical expedient included in par. 121 of IFRS 15 and does not disclose information about its remaining performance obligations for contracts that have an original expected duration of one year or less.

7 General and administrative expenses

	Six months ended 30 June	
mln RUB	**2020**	**2019**
Payroll and related taxes	1 378	1 827
Services	317	218
Other taxes	128	265
Audit and consulting services	113	301
Depreciation	104	104
Bank fees and commissions	51	93
Repair and maintenance	45	53
Materials	19	34
Other	164	186
Total	**2 319**	**3 081**

8 Other expenses, net

	Six months ended 30 June	
mln RUB	**2020**	**2019 (revised)**
Other income		
Fees and penalties received	90	54
Gain on disposal of property, plant and equipment	25	14
Gain on disposal of investment property	23	-
Other income	81	117
	219	**185**
Other expenses		
Impairment loss on inventories (note 17)	(319)	(458)
Other taxes	(226)	(209)
Cost of social infrastructure for completed projects	(161)	-
Fees and penalties incurred	(104)	(77)
Other expenses	(288)	(161)
	(1 098)	**(905)**
Other expenses, net	**(879)**	**(720)**

9 Personnel costs

	Six months ended 30 June	
mln RUB	2020	2019
Wages and salaries	3 166	3 493
Contributions to the State pension fund	755	835
	3 921	**4 328**

Remuneration to employees in respect of services rendered during the year is recognised on an undiscounted basis as an expense in the consolidated statement of profit or loss and other comprehensive income as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or other profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group pays fixed contributions to Russia's State pension fund and has no legal or constructive obligation to pay further amounts.

During the six months ended 30 June 2020 personnel costs and related taxes included in cost of production amounted to RUB 2 087 million (six months ended 30 June 2019: RUB 2 024 million). The remaining part of personnel expenses was subsumed within general and administrative expenses and selling expenses in the total amount of RUB 1 834 million (six months ended 30 June 2019: RUB 2 304 million).

The average number of staff employed by the Group during the six months ended 30 June 2020 was 4 682 employees (six months ended 30 June 2019: 4 606 employees).

10 Share-based payment arrangements

Share option programme (equity-settled)

On 8 June 2018, the Company granted awards in the form 5 550 000 GDRs of the Company's ordinary shares under the Company's management incentive plan to senior management team employees and executive directors. There were no vesting conditions in the share based payment, but a restriction (lock up period) of 7 years, during which the participants were not entitled to sell, transfer or otherwise dispose any respective GDRs received from the Group, unless such sale, transfer or disposal has been approved by the Group.

Following the share based payment dated 8 June 2018, the Group has no share-based payment arrangements in place.

As of the date these consolidated interim financial statements have been authorised for issue, senior management team employees currently employed by the Group, continue holding the granted GDRs.

11 Finance income and finance costs

mln RUB	Six months ended 30 June 2020	2019
Recognised in profit or loss		
Finance income		
Interest income under the effective interest method on:		
- Cash and cash equivalents (except bank deposits)	383	756
- Unwinding of discount on trade receivables	343	279
- Bank deposits - at amortised cost	340	386
- Interest income - financing component under IFRS 15	59	96
Total interest income arising from financial assets measured at amortised cost	**1 125**	**1 517**
Gain on write-off of accounts payable	119	35
Reversal of impairment loss on investments	3	2
Net foreign exchange gain	28	-
Finance income - other	**150**	**37**
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expenses- financing component under IFRS 15	(1 355)	(1 286)
- Interest expenses - borrowing costs	(2 465)	(1 959)
- Interest expense on leases	(86)	(120)
- Unwinding of discount on other payables	(180)	(196)
Impairment loss on advances paid to suppliers	(49)	(40)
Other finance costs	(31)	-
Net foreign exchange loss	-	(66)
Finance costs	**(4 166)**	**(3 667)**
Net finance costs recognised in profit or loss	**(2 891)**	**(2 113)**

In addition to interest expense recognised in the consolidated interim statement of profit or loss and other comprehensive income, the following amounts of borrowing costs and significant financing component have been capitalised into the cost of real estate properties under construction and development (revenue for which is not recognised over time):

mln RUB	Six months ended 30 June 2020	2019
Borrowing costs and significant financing component capitalised during the period	130	241
Weighted average capitalisation rate	14,86%	11,00%

During the six months ended 30 June 2020, borrowing costs and significant financing component that have been capitalised into the cost of real estate properties under construction and development (revenue for which was not recognised over time) in the amount of RUB 76 million (six months ended 30 June 2019: RUB 677 million), were included into the cost of sales upon construction and sale of those properties – including borrowing costs in the amount of RUB 64 million (six months ended 30 June 2019: RUB 473 million) and significant financing component in the amount of RUB 12 million (six months ended 30 June 2019: RUB 204 million).

12 Income tax expense

The Company's applicable tax rate under the Cyprus Income Tax Law is 12,5%. The Cypriot subsidiaries' applicable tax rate is 12,5%. For the Russian companies of the Group the applicable income tax rate is 20% (six months ended 30 June 2019: 20%).

	Six months ended 30 June	
mln RUB	**2020**	**2019**
Current tax expense		
Current year	1 507	1 690
Under-provided in prior year	-	16
	1 507	1 706
Deferred tax expense		
Origination and reversal of temporary differences	(425)	(849)
Income tax expense	**1 082**	**857**

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate 20% :

	Six months ended 30 June	
mln RUB	**2020**	**2019 (revised)**
(Loss)/profit before income tax	(689)	1 416
Theoretical income tax at statutory rate of 20%	(138)	283
Adjustments due to:		
Under-provided in prior year	-	16
Write-off of previously recognised deferred tax assets	524	-
Expenses not deductible and income not taxable for tax purposes, net	696	558
Income tax expense	**1 082**	**857**

(a) Unrecognised deferred tax liability

At 30 June 2020, a deferred tax liability arising on temporary differences of RUB 65 329 million (31 December 2019: RUB 66 132 million) related to investments in subsidiaries was not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

13 Property, plant and equipment

During the six months ended 30 June 2020, depreciation expense of RUB 119 million (six months ended 30 June 2019: RUB 103 million) has been charged to cost of sales, RUB 7 million (six months ended 30 June 2019: RUB 16 million) to cost of real estate properties under construction and development, RUB 189 million to other expenses, net (six months ended 30 June 2019: RUB 47 million) and RUB 67 million (six months ended 30 June 2019: RUB 104 million) to general and administrative expenses.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
Cost							
Balance at 1 January 2019	2 344	2 537	133	270	121	210	**5 615**
Additions	185	30	27	25	-	68	**335**
Acquisition through business combination	374	4	-	20	-	5	**403**
Disposals	(32)	(49)	(18)	(10)	-	-	**(109)**
Transfers	1	-	-	(1)	-	(1)	**(1)**
Balance at 30 June 2019	2 872	2 522	142	304	121	282	**6 243**
Balance at 1 January 2020	2 928	2 482	118	329	120	269	**6 246**
Additions	212	19	4	96	-	26	**357**
Disposals	(193)	(22)	(6)	(13)	-	-	**(234)**
Transfers	63	-	-	21	-	(84)	**-**
Balance at 30 June 2020	3 010	2 479	116	433	120	211	**6 369**
Depreciation and impairment losses							
Balance at 1 January 2019	(378)	(1 788)	(91)	(163)	-	-	**(2 420)**
Depreciation for the period	(152)	(80)	(9)	(29)	-	-	**(270)**
Disposals	22	38	15	9	-	-	**84**
Balance at 30 June 2019	(508)	(1 830)	(85)	(183)	-	-	**(2 606)**
Balance at 1 January 2020	(560)	(1 853)	(73)	(199)	-	-	**(2 685)**
Depreciation for the period	(272)	(71)	(8)	(31)	-	-	**(382)**
Disposals	105	12	4	8	-	-	**129**
Balance at 30 June 2020	(727)	(1 912)	(77)	(222)	-	-	**(2 938)**
Carrying amounts							
Balance at 1 January 2019	**1 966**	**749**	**42**	**107**	**121**	**210**	**3 195**
Balance at 30 June 2019	**2 364**	**692**	**57**	**121**	**121**	**282**	**3 637**
Balance at 1 January 2020	**2 368**	**629**	**45**	**130**	**120**	**269**	**3 561**
Balance at 30 June 2020	**2 283**	**567**	**39**	**211**	**120**	**211**	**3 431**

14 Investment property

mln RUB	2020	2019
Cost		
Balance at 1 January	1 375	587
Acquisition through business combination	-	838
Additions	-	3
Reclassified to assets held for sale (note 16)	(171)	-
Disposals	(48)	(10)
Balance at 30 June	**1 156**	**1 418**
Accumulated depreciation and impairment losses		
Balance at 1 January	(310)	(281)
Depreciation for the period	(10)	(16)
Disposals	9	2
Reclassified to assets held for sale (note 16)	8	-
Balance at 30 June	**(303)**	**(295)**
Carrying amount at 1 January	1 065	306
Carrying amount at 30 June	**853**	**1 123**

The Group’s investment properties represent various commercial property. The Group accounts for investment properties at cost less accumulated depreciation and impairment losses.

During the six months ended 30 June 2020, the Group entered into a contract for the sale of one of the items of the investment property, the proceeds and expenses on disposal of which will be recognised subsequent to the reporting date. In this regard, the Group has reclassified this investment property with carrying amount of RUB 163 million into assets held for sale, note 16.

As at 30 June 2020, the fair value of investment property amounted to RUB 1 171 million (31 December 2019: RUB 1 289 million), which was determined based on discounted cash flows from the use of the property. Fair value estimate represents level 3 of the fair value hierarchy. The Group did not identify any indicators of impairment as at 30 June 2020 and 31 December 2019, and did not recognise any impairment losses for investment property during the six months ended 30 June 2020 and 2019.

15 Other long-term investments

mln RUB	30 June 2020	31 December 2019
Bank promissory notes - at amortised cost	3	96
Loans - at amortised cost	77	106
	80	**202**
Loss allowance for loans given	(9)	(11)
Loss allowance for promissory notes	-	(1)
	71	**190**

The Group’s exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

16 Assets held for sale

mln RUB	**2020**	**2019**
Balance at 1 January	-	-
Reclassified from Investment property (note 14)	163	-
Reclassified from Inventories	239	-
Balance at 30 June	**402**	**-**

During the six months ended 30 June 2020, the Group entered into a contract for the sale of three land plots and buildings, one of which was previously recognised within Investment property, and the two others – within Own flats under construction and development. The proceeds and expenses on disposal will be recognised subsequent to the reporting date. In this regard, the Group has reclassified land plots and buildings into assets held for sale, including reclassification from investment property in the amount of RUB 163 million (see note 14), and reclassification from Own flats under construction and development in the amount of RUB 239 million.

17 Inventories

mln RUB	30 June 2020	31 December 2019
Inventories under construction and development		
Own flats under construction and development	65 338	70 831
Built-in commercial premises under construction and development	10 056	8 406
Parking places under construction and development	8 388	8 394
	83 782	**87 631**
Less: Allowance for inventories under construction and development	(2 650)	(2 361)
Total inventories under construction and development	**81 132**	**85 270**
Inventories - finished goods		
Own flats	6 723	7 157
Built-in and stand-alone commercial premises	3 389	2 563
Parking places	5 896	5 495
	16 008	**15 215**
Less: Allowance for inventories - finished goods	(1 500)	(1 466)
Total inventories - finished goods	**14 508**	**13 749**
Other inventories		
Construction materials	1 056	939
Other	686	760
	1 742	**1 699**
Less: Allowance for other inventories	(25)	(29)
Total other inventories	**1 717**	**1 670**
Total	**97 357**	**100 689**

a) Barter transactions

During 2013 - 2019, the Group entered into several transactions for the acquisition of investment rights for land plots in five construction projects, where certain parts of the acquisition price had to be paid by means of transfer of specified premises constructed on these land plots. The Group included the land component of these construction projects into inventories at fair value of the investment rights acquired, while the respective liabilities to the sellers of land plots (landlords) were recognised within contract liabilities. Such liabilities will be settled against revenue recognised from transfer of specified premises to these landlords.

The fair values of land plots were determined by independent appraisers based on discounted cash flows from the construction and sale of properties. The details of transactions are specified below.

Project 1, years ended 31 December 2013-2016

The fair value of the investments rights acquired equal to RUB 1 862 million (land plot acquired in 2013), RUB 3 835 million (land plot acquired in 2014), RUB 3 105 million (land plot acquired in 2015), RUB 222 million (land plot acquired in 2016).

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 4,5%-6,4% per annum, a rate within this range was used, depending on year of recognition of land component;
- Discount rates – 11,5% - 25% per annum, a rate within this range was used, depending on year of recognition of land component and stage of the project.

Project 2, year ended 31 December 2015

The fair value of the investments rights acquired equal to RUB 4 522 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 4,5%-6,4% per annum;
- Discount rate – 23% per annum.

Project 3, year ended 31 December 2017

The fair value of the investments rights acquired equal to RUB 4 395 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 2,5%-4% per annum;
- Discount rate – 13% per annum.

Project 4, year ended 31 December 2017

The fair value of the investments rights acquired equal to RUB 1 800 million.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 2,5%-4% per annum;
- Discount rate – 13% per annum.

Project 5, year ended 31 December 2019

The Group entered into a transaction for the acquisition of investment rights for two land plots where part of the acquisition price is to be paid by means of transfer of certain premises that were in the course of construction on the previously acquired land plots.

The fair value of the investments rights acquired equal to RUB 1 193 million was determined based on discounted cash flows from the construction and sale of properties in previously acquired land plots.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction of residential property;
- Inflation rates – 0,9% - 1% per annum;
- Discount rate – 12,78% per annum.

Accordingly, at 30 June 2020, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013 – 2019 in the amount of RUB 8 409 million, while the remaining balance of RUB 364 million is included into finished goods and RUB 250 million - into inventories under construction and development.

At 30 June 2020, the cost of land plots (Project 2) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales in the amount of RUB 3 590 million, while the remaining balance of RUB 39 million is included in finished goods and RUB 894 million in inventories under construction and development.

At 30 June 2020, the cost of land plots (Project 3) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales in the amount of RUB 3 873 million, while the remaining balance of RUB 191 million is included in finished goods and RUB 331 million in inventories under construction and development.

At 30 June 2020, the cost of land plots (Project 4) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales in the amount of RUB 1 671 million, while the remaining balance of RUB 54 million is included in finished goods and RUB 75 million is included in inventories under construction and development.

At 30 June 2020, the cost of land plots (Project 5) measured as described above and related to premises sold under share participation agreements, was recognised in cost of sales in the amount of RUB 152 million, while the remaining balance of RUB 1 041 million is included in inventories under construction and development.

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to City Authorities. As at 30 June 2020, the cost of such social infrastructure amounts to RUB 847 million and is included in the balance of finished goods and inventories under construction and development (31 December 2019: RUB 1 219 million). These costs are recoverable as part of projects they relate to. The cost of social infrastructure is recognised in cost of sales consistently with the transfer to the customers of the apartments to which this social infrastructure relates.

b) Allowance for impairment of inventories

The following is movement in the allowance for impairment of inventories:

mln RUB	2020	2019
Balance at 1 January	3 856	2 569
Assumed through business combination (note 27)	-	21
Impairment loss on inventories (note 8)	319	458
Balance at 30 June	**4 175**	**3 048**

As at 30 June 2020, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 4 195 million (31 December 2019: RUB 3 856 million) and the respective allowance was recognised in other expenses, see note 8. As at 30 June 2020, the allowance of RUB 3 807 million relates to parking places (31 December 2019: RUB 3 414 million).

The balance of parking places is equal to RUB 14 284 million as at 30 June 2020 (31 December 2019: RUB 13 889 million). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;
- Discount rate –12,41% per annum;
- Inflation rates – 4,31% – 4,36% per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information in relation to similar parking places.

The determination of net realizable value for parking places is subject to significant estimation uncertainty and, as such, the impairment allowance is judgmental. Changes in the above assumptions - in particular the discount rate and the years of turnover of parking places - could have a material impact on the impairment allowance amount.

The following table demonstrates changes in key inputs and sensitivity of measurement of allowance for impairment:

	30 June 2020		
	Change of parameter	**Impact on allowance for impairment**	**In monetary terms (mln RUB)**
Growth of discount rate	2%	5%	205
Growth of inflation rates	2%	-7%	(249)
Reduction of turnover of finished goods	1	3%	106
Reduction of revenue from uncontracted parking places	2%	2%	79

	31 December 2019		
	Change of parameter	**Impact on allowance for impairment**	**In monetary terms (mln RUB)**
Growth of discount rate	2%	5%	159
Growth of inflation rates	2%	-6%	(199)
Reduction of turnover of finished goods	1	4%	121
Reduction of revenue from uncontracted parking places	2%	3%	101

c) Rent out of property classified as inventories – finished goods

The Group has temporarily rented out a part of certain items of property classified as inventories – finished goods in these consolidated interim financial statements. As at 30 June 2020, the total carrying value of these items of property was RUB 356 million (31 December 2019: RUB 327 million). The Group is actively seeking buyers for these properties.

d) Pledges

As at 30 June 2020, inventories with a carrying amount of RUB 3 708 million (31 December 2019: RUB 3 348 million) are pledged as security for borrowings, see note 23.

18 Contract assets, trade and other receivables

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 26.

mln RUB	30 June 2020	31 December 2019
Long-term trade and other receivables		
Trade receivables	4 247	4 596
Less: Allowance for doubtful trade accounts receivable	(48)	(57)
Long-term trade receivables less allowance	**4 199**	**4 539**
Other receivables	255	164
Less: Allowance for doubtful other accounts receivable	(14)	(11)
Long-term other receivables less allowance	**241**	**153**
Advances paid to suppliers	2	-
Total long-term trade and other receivables	**4 442**	**4 692**
Short-term trade and other receivables		
Contract assets	3 976	2 463
Trade receivables	6 434	8 134
Less: Allowance for doubtful trade accounts receivable	(690)	(690)
Short-term trade receivables less allowance	**9 720**	**9 907**
Advances paid to suppliers	9 489	9 988
Less: Allowance for doubtful advances paid to suppliers	(268)	(238)
Short-term advances paid to suppliers less allowance	**9 221**	**9 750**
VAT recoverable	3 933	3 231
Income tax receivable	978	696
Other taxes receivable	70	73
Other receivables due from related parties	148	108
Other receivables	1 492	2 130
	6 621	**6 238**
Less: Allowance for doubtful other accounts receivable	(787)	(752)
Short-term other receivables less allowance	**5 834**	**5 486**
Total short-term trade and other receivables	**24 775**	**25 143**
Total	**29 217**	**29 835**

19 Short-term investments

mln RUB	30 June 2020	31 December 2019
Bank promissory notes - at amortised cost	91	108
Bank deposits (over 3 months)	190	80
Loans - at amortised cost	154	146
	435	**334**
Loss allowance for loans given	(131)	(131)
Total	**304**	**203**

The Group's exposure to credit, currency and interest rate risks related to other short-term investments is disclosed in note 26.

20 Cash and cash equivalents

mln RUB	30 June 2020	31 December 2019
Cash in banks, in RUB	12 541	18 423
Cash in banks, in USD	104	89
Cash in banks, in EUR	15	15
Cash in banks, in GBP	2	2
Petty cash	2	2
Cash in transit	1	-
Short-term deposits (less than 3 months)	12 013	12 597
Total	**24 678**	**31 128**

The Group keeps significant bank balances in major Russian banks with credit ratings assigned by international rating agencies of BBB-, BB+, BB, BB-, B+, B, B-, as well as in a foreign bank with credit rating A+.

At 30 June 2020, the most significant amount of cash and cash equivalents held with one bank totalled RUB 9 105 million (31 December 2019: RUB 10 309million). At 30 June 2020, the Group had outstanding loans and borrowings with the same bank in the amount of RUB 29 096 million (outstanding loans and borrowings with the same bank at 31 December 2019: nil). The bank has a Standard & Poor's/Moody's credit rating of BBB-.

At 30 June 2020, short-term deposits bore interest rates ranging from 3,41% to 6,19% per annum (31 December 2019: 3,73% to 6,7% per annum).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

Bank balances on escrow accounts – supplementary disclosure

mln RUB	30 June 2020	31 December 2019
Bank balances in escrow accounts	8 842	692

Bank balances kept in escrow accounts are not included in the balance of cash and cash equivalents in the Group's consolidated interim statement of financial position. They represent funds received by authorized banks from escrow-account holders - participants of share participation agreements for construction of real estate as a means of payment of consideration under such agreements. The funds will be transferred to the Group's bank accounts upon completion of construction of respective real estate.

21 Capital and reserves

a) Share capital

The table below summarizes the information about the share capital of the Company.

Number of shares unless otherwise stated	30 June 2020		31 December 2019	
	Ordinary shares	**Preference shares**	**Ordinary shares**	**Preference shares**
Issued shares				
Par value at the beginning of the period	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
On issue at the beginning of the period	294 954 025	20 000	294 954 025	20 000
Par value at the end of the period	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
On issue at the end of the period, fully paid	**294 954 025**	**20 000**	**294 954 025**	**20 000**

At 30 June 2020 and 31 December 2019, the authorised number of shares was 294 957 971. All issued ordinary shares are fully paid.

The holders of ordinary shares are entitled to receive dividends and to one vote per share at meetings of the Company.

b) Share premium

The Company's share premium account originated from the initial public offering of 71 428 571 ordinary shares at a value USD 7 each in form of global depository receipts (GDR`s) on the London Stock Exchange on 4 April 2011, and from issuance of 117 647 ordinary £0.01 shares for a consideration of USD 82 352 900 in March 2008.

c) Reserve for own shares

On 20 June 2017, the Board of Directors of the Company authorised a Global Depositary Receipts ("GDRs") repurchase programme. The Company intended to spend USD 20 million to purchase GDRs at market prices during a period between 20 June 2017 and 31 December 2017, subject to change, depending on the Company's assessment of the state of the market for the Company's GDRs.

Between 20 June 2017 and 31 December 2017, the Company acquired 5 488 378 own shares for the consideration of RUB 1 189 million, and as at 31 December 2017, the total number of own shares acquired by the Group amounted to 8 216 378 shares or 2,8% of issued share capital for the consideration of RUB 1 629 million.

During the year ended 31 December 2018, the Group transferred 8 212 432 shares to certain members of its key management personnel as part of their remuneration, see note 10. As at 30 June 2020 and 31 December 2019, the total number of own shares acquired by the Group amounted to 3 946 shares or 0,001% of issued share capital.

GDR buyback programme

On 24 January 2020, the Board of Directors of the Company authorised a buyback programme, aiming to purchase up to 10% of the Company's issued capital in the form of Global Depositary Receipts ("GDR"). On 24 March 2020, the program was approved by the extraordinary general meeting of shareholders. As at 30 June 2020, no shares have been purchased.

The consideration paid for own shares, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When own shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

d) Dividends

As the majority of the Company's subsidiaries are incorporated in the Russian Federation, and in accordance with Russian legislation, the subsidiaries' distributable reserves are limited to the balance of retained earnings as recorded in their statutory financial statements prepared in accordance with Russian Accounting Principles.

During the six months ended 30 June 2020, the Company did not declare any dividends (six months ended 30 June 2019: none).

e) Non-controlling interests in subsidiaries

On 19 February 2019, the Group acquired a 51% stake in JSC "Leader-Invest" (note 27). The non-controlling interest was measured as a 49%-share of the recognised amounts of the acquiree's net identifiable assets and amounted to RUB 15 289 million, as revised (six months ended 30 June 2019 - no significant changes in non-controlling interest). On 16 August 2019, the Group acquired the remaining 49% of the share capital of JSC "Leader-Invest" for the consideration of RUB 14 600 million, while the carrying amount of the share of net assets acquired amounted to RUB 14 669 million. The excess of RUB 69 million of the share of net assets acquired over the consideration transferred was recognised as an increase in retained earnings.

22 Earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, as shown below. The Company has no dilutive potential ordinary shares.

Number of shares unless otherwise stated	**2020**	**2019 (revised)**
Issued shares at 1 January	294 954 025	294 954 025
Weighted average number of shares for the six months ended 30 June	**294 954 025**	**294 954 025**

	Six months ended 30 June	
	2020	**2019 (revised)**
(Loss)/profit attributable to the owners of the Company, mln RUB	(1 772)	1 142
Basic and diluted (loss)/earnings per share (RUB)	(6,01)	3,87

23 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 26.

mln RUB	30 June 2020	31 December 2019
Non-current liabilities		
Secured bank loans	28 541	27 965
Unsecured bank loans	2 338	4 316
Unsecured bond issues	2 744	9 977
	33 623	**42 258**
Current liabilities		
Current portion of secured bank loans	1 599	2 393
Current portion of unsecured bank loans	3 816	4 438
Current portion of unsecured bond issues	9 746	3 603
	15 161	**10 434**

The reconciliation of movements of liabilities to cash flows arising from financing activities during the reporting period is presented in the table below.

mln RUB	1 January 2020	Proceeds from borrowings	Repayment of borrowings	Other changes	30 June 2020
Secured bank loans	30 358	1 367	(1 261)	(324)	30 140
Unsecured bank loans	8 754	-	(2 597)	(3)	6 154
Unsecured bond issues	13 580	-	(1 100)	10	12 490
	52 692	**1 367**	**(4 958)**	**(317)**	**48 784**

During the six months ended 30 June 2020, the Group received a new credit line facility to finance construction of residential buildings with variable interest rates adjusted based on the volume of escrow account balances. The loan rate has two components: the base rate and the preferential rate applied to debt covered by escrow account balances. In case of excess of balances on escrow accounts over outstanding loans, the rate is capped depending on the amount of the excess.

mln RUB	Currency	Nominal interest rate as of 30 June	Year of maturity	30 June 2020 Face value	30 June 2020 Carrying amount	31 December 2019 Face value	31 December 2019 Carrying amount
Secured bank loans				**30 791**	**30 140**	**30 658**	**30 358**
Secured bank loan	RUB	CBR's key rate + 2,35%	2024	14 458	14 246	15 224	15 000
Secured bank loan	RUB	CBR's key rate + 3%	2027	14 638	14 542	14 642	14 566
Secured bank loan	RUB	CBR's key rate + 3,5%	2022	435	435	460	460
Secured bank loan	RUB	10,00%	2020	-	-	332	332
Secured bank loan	RUB	0,01 - 9,5%	2025	1 260	917	-	-
Unsecured bank loans				**6 154**	**6 154**	**8 754**	**8 754**
Unsecured bank loan	RUB	4,50% - 8,90%	2021	1 251	1 251	1 502	1 502
Unsecured bank loan	RUB	4,50 - 9,70%	2021	947	947	1 458	1 458
Unsecured bank loan	RUB	8,30%	2020	-	-	1 200	1 200
Unsecured bank loan	RUB	4,50% - 9,00%	2020	601	601	1 200	1 200
Unsecured bank loan	RUB	10,25%	2022	901	901	902	902
Unsecured bank loan	RUB	CBR's key rate + 1%	2021	703	703	740	740
Unsecured bank loan	RUB	8,75%	2021	501	501	501	501
Unsecured bank loan	RUB	4,50% - 8,70%	2022	500	500	501	501
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	500	500	500	500
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	250	250	250	250
Unsecured bond issues				**12 547**	**12 490**	**13 652**	**13 580**
Unsecured bonds	RUB	11,70%	2021	5 212	5 171	5 213	5 166
Unsecured bonds	RUB	8,95%	2022	5 022	5 010	5 022	5 005
Unsecured bonds	RUB	11,85%	2021	2 259	2 255	3 363	3 355
Unsecured bonds	RUB	7,95%	2020	54	54	54	54
				49 492	**48 784**	**53 064**	**52 692**

Bank loans are secured by:

- inventories with a carrying amount of RUB 3 708 million (31 December 2019: RUB 3 348 million), see note 17;
- pledge of 68% of shares in subsidiary company JSC "Zatonskoe" which represents RUB 4 184 million in its net assets* (31 December 2019: RUB 4 198 million in net assets);
- pledge of 100% of shares in subsidiary company LLC "LS-Rielty" which represents RUB 3 162 million in its net assets* (31 December 2019: RUB 2 259 million in net assets).
- pledge of 100% shares of JSC "Leader-Invest" and 100% of other 45 subsidiary companies of JSC "Leader-Invest" which collectively represent RUB 23 698 million in net assets* (31 December 2019: RUB 36 059 million in net assets).
- pledge of 100% shares of JSC "Etalon LenSpetsSMU", LLC "ZhK Moskovskiy" and LLC "Zolotaya Zvezda", which collectively represent RUB 48 376 million in net assets* (31 December 2019: RUB 46 695 million in net assets).

*net assets are based on individual IFRS accounts of the relevant companies.

The bank loans are subject to certain restrictive covenants both operating and financial, which are calculated based on the individual financial statements of certain entities of the Group. Except as described further, there has been no breach of any of the restrictive covenants during the reporting period. However, at the end of the period, the Group breached a financial condition on one loan and operating covenants on four loans. The Group obtained waivers from the banks before the reporting date, and the obligation was not transferred to current liabilities.

24 Provisions

mln RUB	Warranty provision	Provision for deferred works	Provision for onerous contracts	Provision for litigations and claims	Total
Balance at 1 January 2019	121	909	52	-	1 082
Provisions made during the period	35	319	4	-	358
Assumed through business combination	-	47	-	95	142
Provisions used during the period	(20)	(648)	-	-	(668)
Provision reversed during the period	-	-	(6)	-	(6)
Balance at 30 June 2019	**136**	**627**	**50**	**95**	**908**
Balance at 1 January 2020	116	507	48	134	805
Provisions made during the period	95	612	-	79	786
Provisions used during the period	(28)	(562)	-	(50)	(640)
Provision reversed during the period	-	(49)	(20)	(77)	(146)
Balance at 30 June 2020	**183**	**508**	**28**	**86**	**805**
Non-current	183	-	-	-	183
Current	-	508	28	86	622
	183	**508**	**28**	**86**	**805**

a) Warranties

The provision for warranties relates mainly to the residential units sold during the year. The provision is based on estimates made from historical experience from the sale of such units. The Group expects the expenses to be incurred over the next three years on average. The warranty provision relates to construction works done.

b) Provision for deferred works

The Group records provisions in respect of the Group's obligation to incur additional costs associated with landscaping and other works after finishing the construction of apartment buildings. The provision is estimated based on historical experience. The Group expects the expenses to be incurred over the next year.

25 Contract liabilities, trade and other payables

mln RUB	30 June 2020	31 December 2019
Long-term		
Trade payables	345	1 462
Lease liabilities	1 058	1 365
Other payables	8	400
	1 411	**3 227**
Short-term		
Contract liabilities	33 229	36 439
Trade payables	4 098	5 382
VAT payable	3 796	3 383
Payroll liabilities	1 012	874
Income tax payable	160	105
Other taxes payable	279	348
Lease liabilities	941	673
Other payables	9 627	8 377
	53 142	**55 581**
Total	**54 553**	**58 808**

Short-term other payables mainly consist of an obligation equal to RUB 6 892 million (31 December 2019: RUB 6 394 million) to construct social infrastructure objects and a liability of RUB 1 424 million (31 December 2019: RUB 1 096 million) to the City authorities for change of intended use of land plots recognised as part of inventories.

Contract liabilities include advances from customers in the amount of RUB 1 902 million which will be satisfied after 12 months from the reporting date (31 December 2019: RUB 2 563 million). They are classified within short-term liabilities as the development cycle of construction projects exceeds one year.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

26 Financial instruments and risk management

a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- *Level 1 inputs*

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- *Level 2 inputs*

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- *Level 3 inputs*

Level 3 inputs are unobservable inputs for the asset or liability.

mln RUB	Carrying amount		Fair value		
30 June 2020	**At amortised cost**	**Total**	**Level 1**	**Level 2**	**Total**
Financial assets not measured at fair value					
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	11 128	**11 128**	-	10 858	**10 858**
Bank deposits (over 3 months)	190	**190**	-	190	**190**
Bank promissory notes	93	**93**	-	93	**93**
Cash and cash equivalents	24 678	**24 678**	24 678	-	**24 678**
	36 089	**36 089**	**24 678**	**11 141**	**35 819**
Financial liabilities not measured at fair value					
Secured bank loans	(30 140)	**(30 140)**	-	(31 523)	**(31 523)**
Unsecured bank loans	(6 154)	**(6 154)**	-	(6 270)	**(6 270)**
Unsecured bond issues	(12 490)	**(12 490)**	(13 703)	-	**(13 703)**
Trade and other payables	(17 091)	**(17 091)**	-	(15 982)	**(15 982)**
	(65 875)	**(65 875)**	**(13 703)**	**(53 775)**	**(67 478)**

mln RUB	Carrying amount		Fair value		
31 December 2019	**At amortised cost**	**Total**	**Level 1**	**Level 2**	**Total**
Financial assets not measured at fair value					
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	13 733	**13 733**	-	13 272	**13 272**
Bank deposits (over 3 months)	80	**80**	-	80	**80**
Bank promissory notes	203	**203**	-	231	**231**
Cash and cash equivalents	31 128	**31 128**	31 128	-	**31 128**
	45 144	**45 144**	**31 128**	**13 583**	**44 711**
Financial liabilities not measured at fair value					
Secured bank loans	(30 358)	**(30 358)**	-	(31 233)	**(31 233)**
Unsecured bank loans	(8 754)	**(8 754)**	-	(8 805)	**(8 805)**
Unsecured bond issues	(13 580)	**(13 580)**	(15 066)	-	**(15 066)**
Trade and other payables	(18 533)	**(18 533)**	-	(17 497)	**(17 497)**
	(71 225)	**(71 225)**	**(15 066)**	**(57 535)**	**(72 601)**

Fair values of financial assets and financial liabilities were determined by quantitative maturity analysis of contractual cash flows according to remaining contractual maturities, discounted using the following Central Bank of Russia rates:

	Discounting factor	30 June 2020	31 December 2019
Receivables (excluding taxes receivable and advances paid to suppliers)	Weighted average rate on mortgages issued during the year	7,40%	9,56%
Loans given	Weighted average interest rates on loans to non-financial organizations	7,34%	8,33%
Unsecured loans and bond issued, and trade and other payables		7,34%	8,33%
Bank promissory notes	Weighted average interest rate on deposits of non-financial organizations	4,82%	5,87%

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding trade and other receivables.

Credit risk with regards to cash and cash equivalents and deposits with banks is managed by placing funds primarily in the banks listed in note 20.

Credit risk connected with trade receivable arising from the sale of apartments to individuals is managed by securing those receivables against sold apartments. A significant share of such sales is made on a prepayment basis.

To manage the credit risk of trade receivables from legal entities the Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are applied.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 30 June 2020, receivables from one customer equalled to RUB 231 million or 2% of the Group`s consolidated trade and other receivables (31 December 2019: RUB 610 million or 4%).

(ii) Guarantees

As at 30 June 2020, the Group had not provided any financial guarantees to entities outside the Group (31 December 2019: nil).

(iii) Exposure to credit risk

The carrying amount of financial assets and contract assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

mln RUB	30 June 2020	31 December 2019
Financial assets and contract assets		
Loans and receivables (excluding taxes receivable, advances paid to suppliers), including contract assets *	8 285	7 409
Bank promissory notes	94	203
Bank deposits (over 3 months)	190	80
Cash and cash equivalents	24 678	31 128
	33 247	**38 820**

* presented net of receivables arising from the sale of real estate that is secured by a pledge of the sold real estate (see 3(c)(vi)).

The information about financial assets is not included into the measures of reportable segments' assets that are provided internally to the key management personnel of the Group, see note 5. Segments' assets being analysed by the Board of Directors are limited to the balance of inventories. The amount of trade and other receivables including contract assets represents its maximum exposure to credit risk without taking account of trade receivables covered by collateral.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was concentrated in the St. Petersburg region.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was concentrated on the industrial customers – legal entities included in the segment "Construction services".

Maturity analysis and impairment

The ageing of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
mln RUB	**30 June 2020**		**31 December 2019**	
Not past due	7 045	(278)	10 203	(153)
Past due 0-30 days	489	-	461	(5)
Past due 31-90 days	511	(2)	513	(275)
Past due 91-120 days	394	(13)	60	(9)
Past due more than 120 days	2 242	(445)	1 493	(305)
	10 681	**(738)**	**12 730**	**(747)**

The ageing of loans given at the reporting date was:

	Gross	Impairment	Gross	Impairment
mln RUB	**30 June 2020**		**31 December 2019**	
Not past due	100	(9)	120	(10)
Past due 0-30 days	-	-	46	(46)
Past due more than 120 days	131	(131)	86	(86)
	231	**(140)**	**252**	**(142)**

<u>Allowance for impairment in respect of trade receivables</u>

The movement in the allowance for impairment in respect of trade receivables during reporting period was as follows:

mln RUB	**2020**	**2019**
Balance at 1 January	747	719
Amounts written off	(23)	(10)
Net remeasurement of loss allowance	14	74
Balance at 30 June	**738**	**783**

The Group calculates lifetime expected credit losses for trade receivables at an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information published by Moody's Investors Service about the probabilities of default (PD) and losses given default (LGD) for issuers with different credit ratings and financial instruments with different durations.

To assess the probability of default of individual debtors, the Group assigned to them credit ratings similar to the classification of Moody's Investors Service. Speculative ratings (speculative-grade) were assigned to debtors that do not have official ratings and are not undergoing bankruptcy procedures. Such counterparties represent a major part of the Group debtors.

The Group defines a default event when a financial asset is more than 90 days past due.

The Group established an allowance for accounts receivable arising from the sale of real estate, in accordance with the methodology, described in the note 3(c)(vi).

During the reporting period, there were no changes in the quality of the collateral. There were no changes in the collateral policies of the Group during the six months ended 30 June 2020.

Allowance for impairment in respect of other receivables

The movement in the allowance for impairment in respect of other receivables during the reporting period was as follows:

mln RUB	**2020**	**2019**
Balance at 1 January	763	524
Amounts written off	(28)	(27)
Net remeasurement of loss allowance	66	68
Balance at 30 June	**801**	**565**

Allowance for impairment in respect of financial investments (loans given and promissory notes)

The movement in the allowance for impairment in respect of loans given during the reporting period was as follows:

mln RUB	**2020**	**2019**
Balance at 1 January	143	157
Net remeasurement of loss allowance	(3)	(2)
Balance at 30 June	**140**	**155**

Allowance for impairment of cash and cash equivalents

The Group assessed impairment of cash and cash equivalents on the 12-month expected loss basis that reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of expected credit losses for cash and cash equivalents to those used for debt securities.

Allowance for impairment in respect of advances paid to suppliers

During the reporting period, the movement in the allowance for impairment in respect of advances paid to suppliers, which are outside the scope of IFRS 9, was as follows:

mln RUB	2020	2019
Balance at 1 January	238	348
Amounts written off	(19)	(6)
Increase during the year	49	40
Balance at 30 June	**268**	**382**

The Group includes a specific loss component that relates to individually significant exposures in its allowance for impairment of advances paid to suppliers.

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, 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.

Each year the Group prepares a cash flow budget to forecast possible liquidity deficits and to define the sources of financing of those deficits.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Contractual maturities of financial liabilities were as follows:

30 June 2020

mln RUB	Carrying amount	Contractual cash flows	0 - 12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities								
Loans and borrowings	48 784	60 232	18 837	12 080	7 736	10 522	4 592	6 465
Trade and other payables (excluding taxes payable and contract liabilities)	15 092	15 168	9 270	1 752	957	1 428	1 660	103
Lease liabilities	1 999	2 355	1 196	440	372	28	28	291
	65 875	**77 755**	**29 303**	**14 272**	**9 065**	**11 978**	**6 280**	**6 859**

31 December 2019	Carrying amount	Contractual cash flows	0 - 12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities								
Loans and borrowings	52 692	66 263	14 655	17 164	10 227	9 847	6 864	7 506
Trade and other payables (excluding taxes payable and contract liabilities)	16 495	16 587	10 155	3 032	1 271	1 217	867	45
Lease liabilities	2 038	2 622	972	806	388	182	20	254
	71 225	**85 472**	**25 782**	**21 002**	**11 886**	**11 246**	**7 751**	**7 805**

d) 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 within acceptable parameters, while optimising the return.

(i) Currency risk

The Group's exposure to foreign currency risk is limited. As at 30 June 2020 and 31 December 2019, the Group's net positions in foreign currency were as follows:

	30 June 2020			31 December 2019		
mln RUB	**USD**	**GBP**	**EUR**	**USD**	**GBP**	**EUR**
Cash and cash equivalents (see note 20)	104	2	15	89	2	15
Net exposure	**104**	**2**	**15**	**89**	**2**	**15**

The management of the Group considers currency risk of financial assets nominated in foreign currencies as not significant.

The following significant exchange rates applied during the reporting period:

in RUB	**Average rate**		**Reporting date spot rate**	
	Six months ended 30 June 2020	**Six months ended 30 June 2019**	**30 June 2020**	**31 December 2019**
USD 1	69,34	65,12	69,95	61,91
EUR 1	76,36	73,58	78,68	69,34

(ii) Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivative instruments to manage interest rate risk exposure.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

mln RUB	**Carrying amount**	
	30 June 2020	**31 December 2019**
Fixed rate instruments		
Financial assets	29 309	36 129
Financial liabilities	(19 484)	(22 009)
	9 825	**14 120**
Variable rate instruments		
Financial liabilities	(30 241)	(31 356)
	(30 241)	**(31 356)**

Cash flow sensitivity analysis for variable rate instruments

mln RUB	Profit or loss		Equity	
	200 bp increase	100 bp decrease	200 bp increase	100 bp decrease
30 June 2020				
Variable rate instruments	(605)	302	(605)	302
Cash flow sensitivity (net)	(605)	302	(605)	302
31 December 2019				
Variable rate instruments	(627)	314	(627)	314
Cash flow sensitivity (net)	(627)	314	(627)	314

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to equity holders through the optimisation of the debt and equity balance. The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with it.

The capital structure of the Group consists of net debt (borrowings as detailed in note 23 offset by cash and bank balances) and equity of the Group (comprising issued capital and retained earnings as detailed in note 21). Certain subsidiaries of the Group may be subject to externally imposed capital requirements in accordance with Russian law.

The Group's debt to capital ratio at the end of the reporting period was as follows:

mln RUB	30 June 2020	31 December 2019
Total borrowings	48 784	52 692
Less: cash and cash equivalents	(24 678)	(31 128)
Less: bank deposits over 3 months, notes 19 and 15	(190)	(80)
Net debt	23 916	21 484
Total equity	50 804	52 576
Debt to capital ratio at end of period	0,47	0,41

At 30 June 2020, lease liabilities of RUB 1 999 million (31 December 2019: 2 038 million) are included in trade and other payables (see notes 25 and 28) and are not included in the total amount of borrowings.

27 Acquisition of subsidiary

On 19 February 2019, the Group acquired 51% of the shares and voting interests in JSC "Leader-Invest" from Sistema PJSFC and its affiliates for the cash consideration of RUB 15 185 million. JSC "Leader-Invest" is a Moscow-based residential developer focusing on projects in the comfort, business and premium-class segments. As at 19 February 2019, its portfolio included 31 projects under construction and development or at the design stage, unsold inventory at twelve completed residential complexes, and commercial real estate, with a total NSA of 1.3 million square meters.

The primary reason for the acquisition was to increase the Group's share of the Moscow residential real estate market and to replenish its land bank.

Comparative information for the six months ended 30 June 2019 was revised in accordance with the accounting applied as at 31 December 2019, following the finalisation of the allocation of the purchase price for the Leader-Invest transaction.

Consideration transferred

The acquisition-date fair value of the total consideration transferred (cash payment) amounted to RUB 15 185 million.

Contingent consideration

The Group has agreed to pay the selling shareholders the Group's share of dividends received from Leader-Invest's affiliate company for three years following the acquisition as a deferred adjustment to the consideration described above. The Group estimates this contingent consideration as RUB 82 million, being the fair value at the acquisition date, based on a discount rate of 12,71%. Due to the immateriality of the amount and uncertainty of the outcome, the Group did not adjust the cost of combination in these consolidated interim financial statements.

Acquisition-related costs

The Group incurred acquisition-related costs of RUB 256 million related to external legal fees and due diligence costs, which have been included in administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

mln RUB	Note	Recognised fair values on acquisition
Non-current assets		
Property, plant and equipment	13	403
Investment property	14	838
Other long term investments		4
Deferred tax assets		94
Current assets		
Inventories		45 655
Trade and other receivables		1 057
Advances issued		1 781
Short-term investment		752
Cash and cash equivalents		4 704
Other current assets		187
Non-current liabilities		
Loans and borrowings		(5 779)
Long-term trade and other payables		(998)
Deferred tax liabilities		(5 657)
Current liabilities		
Loans and borrowings		(374)
Trade and other payables		(11 322)
Provisions	24	(142)
Total identifiable net assets		**31 203**
Total identifiable net assets acquired (51%)		15 914
Non-controlling interest (49%)		15 289

Trade and other receivables comprised gross contractual amounts due of RUB 1 515 million, of which RUB 326 million was expected to be uncollectable at the date of acquisition.

Indemnification assets

The seller in a business combination had contractually indemnified the Group for the outcome of uncertainties related to specific liabilities, including losses above a specified amount by specified subsidiaries, liabilities arising from tax contingencies and recultivation costs above specified limit.

The Group did not recognise such liabilities at the acquisition date and therefore did not recognise any indemnification assets.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Inventories

The acquiree’s inventories are mainly represented by real estate development projects at different stages of development.

The fair values of real estate development projects were determined by an independent appraiser based on discounted cash flows from the construction and sale of such real estate.

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction and sale of real estate;
- Inflation rates – in the range 3,5%-4,5% per annum;
- Discount rates – 12,3% - 23% per annum, depending on the class of the project, stage of development of a particular project and the availability of construction permits.

Bargain purchase

The Group recognised the excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed over consideration transferred in the amount of RUB 729 million (as revised) as a gain from bargain purchase in its consolidated interim statement of profit or loss and other comprehensive income.

From the date of acquisition to 30 June 2019, JSC "Leader-Invest" and its subsidiaries contributed revenues of RUB 3 816 million and a loss of RUB 1 191 million.

If the acquisition of the business had occurred on 1 January 2019, management estimates that consolidated revenue for the six months ended 30 June 2019 would have been RUB 41 364 million, and consolidated loss for the period would have been RUB 242 million (as revised). 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.

Comparative information for the six months ended 30 June 2019 was revised in accordance with the accounting applied as at 31 December 2019, following the finalisation of the allocation of the purchase price for the Leader-Invest transaction.

28 Leases

The Group leases a number of land plots for the purpose of the construction of residential and commercial premises for sale, as well as land plots occupied by its own production and office facilities. The leases typically run for the years of construction of premises for sale.

The following table summarises the movement in the right-of-use assets and lease liabilities during the reporting period.

mln RUB	Inventories under construction	Property, plant and equipment	Total
Right-of-use assets			
Balance at 1 January 2020	2 080	400	2 480
Additions to right-of-use assets	-	51	51
Modifications of lease contracts	(8)	-	(8)
Depreciation charge	(38)	(60)	(98)
Balance at 30 June 2020	**2 034**	**391**	**2 425**
Lease liabilities			
Balance at 1 January 2020	1 636	401	2 037
Settlement of lease liabilities, including interest	(58)	(80)	(138)
Interest expense on lease liabilities	68	18	86
Additions to lease liabilities	-	51	51
Modifications of lease contracts	(8)	-	(8)
Termination of lease contracts	(29)	-	(29)
Balance at 30 June 2020	**1 609**	**390**	**1 999**

mln RUB	Inventories under construction	Property, plant and equipment	Total
Right-of-use assets			
Balance at 1 January 2019	757	135	892
Additions to right-of-use assets	-	35	35
Depreciation charge	(17)	(70)	(87)
Acquired through business combination	631	319	950
Balance at 30 June 2019	**1 371**	**419**	**1 790**
Lease liabilities			
Balance at 1 January 2019	1 786	135	1 921
Settlement of lease liabilities, including interest	(424)	(59)	(483)
Interest expense on lease liabilities	103	17	120
Additions to lease liabilities	-	35	35
Assumed through business combination	631	319	950
Balance at 30 June 2019	**2 096**	**447**	**2 543**

Future cash outflows to which the Group is exposed that are not reflected in the measurement of lease liabilities arising from variable lease payments amount to RUB 1 025 million (31 December 2019: RUB 789 million).

29 Capital commitments

As at 30 June 2020 the Group had no capital commitments (31 December 2019: nil).

30 Contingencies

a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

b) Litigation

During the six months ended 30 June 2020, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

One of the Group's subsidiaries is currently involved in an arbitral process as defendant, where plaintiff obliges the Group to purchase from the plaintiff 22% of share capital of LLC "ZIL-YUG" for the consideration of RUB 7 305 million. The Group declined to proceed with the acquisition since the project planning documentation provided by the plaintiff contradicted technical and economical parameters established in the initial tender documentation and agreed with the plaintiff.

The appeals were dismissed by both court of original jurisdiction and the appellate court, but returned to the court of original jurisdiction by the court of cassation, involving the Government of Moscow as the third party to the proceeding. Following that, the parties elected to develop an amicable agreement. The agreement leaves project planning documentation unchanged, but prolongs the payment schedule, including postponing of payment of RUB 7 305 million mentioned above until 2021-2022.

As of the date these consolidated interim financial statements have been authorised for issue, the plaintiff dismissed one of the claims for the amount of RUB 3 653 million, and the mediation agreement was prepared and signed by the parties, and is pending approval by the Arbitration court of Moscow.

At the reporting date, the Group did not recognise any liability, and will recognise it following the signing of the amicable agreement when such liability will become legally enforceable.

In the opinion of management, there are no other current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated interim financial statements.

31 Related party transactions

a) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the reporting period, which is included in personnel costs (see note 9):

	Six months ended 30 June	
mln RUB	**2020**	**2019**
Short-term employee benefits - salaries and bonuses	92	176
Termination benefit paid to member of key management personnel	-	45
	92	**221**

During the six months ended 30 June 2020 and 2019, the Group did not grant any loans and pensions to its key management personnel.

b) Transactions with other related parties

The Group's other related party transactions are disclosed below.

(i) Revenue

	Transaction value		Outstanding balance	
	Six months ended 30 June			
mln RUB	**2020**	**2019**	**30 June 2020**	**31 December 2019**
Other related parties	56	53	192	613
	56	**53**	**192**	**613**

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(ii) Expenses

	Transaction value		Outstanding balance	
	Six months ended 30 June			
mln RUB	**2020**	**2019**	**30 June 2020**	**31 December 2019**
Other related parties	(140)	(108)	(263)	(221)
	(140)	**(108)**	**(263)**	**(221)**

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(iii) Loans

	Amount loaned / received		Outstanding balance	
	Six months ended 30 June			
mln RUB	**2020**	**2019**	**30 June 2020**	**31 December 2019**
Loans given	(4)	4	2	6
Loans received	33	(91)	(1 889)	(1 922)
	29	**(87)**	**(1 887)**	**(1 916)**

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(iv) Other transactions

	Transaction value		Outstanding balance	
	Six months ended 30 June			
mln RUB	**2020**	**2019**	**30 June 2020**	**31 December 2019**
Current accounts in banks - related parties	24	-	38	14
(Returns)/sales of apartments and premises	-	(1)	-	-
Proceeds from investments in associates	57	-	-	-
Interest payable	116	-	(47)	(163)
	197	**(1)**	**(9)**	**(149)**

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

32 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	30 June 2020	31 December 2019
JSC “GK Etalon”	Russian Federation	100,00%	100,00%
LLC “EtalonAktiv”	Russian Federation	100,00%	100,00%
JSC “Etalon LenSpetsSMU”	Russian Federation	100,00%	100,00%
JSC “Novator”	Russian Federation	100,00%	100,00%
JSC “LenSpetsSMU-Reconstruktsiya”	Russian Federation	100,00%	100,00%
LLC “Etalon-Invest”	Russian Federation	100,00%	100,00%
JSC “Zatonskoe”	Russian Federation	100,00%	100,00%
LLC “SPM-Zhilstroy”	Russian Federation	100,00%	100,00%
LLC “Zolotaya Zvezda”	Russian Federation	100,00%	100,00%
JSC “Leader-Invest”	Russian Federation	100,00%	100,00%
LLC “Razvitiye”	Russian Federation	100,00%	100,00%
LLC “Nagatinskiy”	Russian Federation	100,00%	100,00%
LLC “Lobachevskogo 120”	Russian Federation	100,00%	100,00%

As at 30 June 2020, the Group controlled 127 legal entities (31 December 2019: 128). Their assets, liabilities, revenues and expenses have been included in these consolidated interim financial statements. The above is a list of the most significant subsidiaries.

33 Events subsequent to the reporting date

Operating events

Dividends

On 20 July 2020, the Board of Directors of the Company recommended payment of a final dividend for the financial year 2019 in the amount of RUB 12 per share / GDR. The dividend will be payable on 16 December 2020 to shareholders on record as at the 20 November 2020. Dividend is subject to approval by the Annual General Meeting of Shareholders which will be held on 23 October 2020.

Financing events

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 30 June 2020 for the total amount of RUB 2 804 million.

Subsequent to the reporting date the Group has obtained additional tranches of loans for the total amount of RUB 2 033 million with interest rates of 7,75% - 9,5% and repayable by 2025.

Supplementary information

In this note, additional information is disclosed. We believe that the adjusted net debt/adjusted EBITDA ratio, together with measures determined in accordance with IFRS, provides the readers with valuable information and a further understanding of the underlying performance of the business.

The below non-IFRS measures should be considered and read in addition to, but not as a substitute for, the information contained in the consolidated interim financial statements. Non-IFRS measures are not uniformly defined by all companies, including those in the Group's industry. Therefore, the non-IFRS measures used by the Group may not be comparable to similar measures and disclosures made by other companies.

Adjusted net debt/Adjusted EBITDA ratio

mln RUB	30 June 2020	31 December 2019
Total borrowings	48 784	52 692
Less: cash and cash equivalents	(24 678)	(31 128)
Less: bank deposits over 3 months, note 19	(190)	(80)
Add: contract liabilities, reportable segment Residential development, note 5	31 206	32 798
Less: Inventories under construction, note 17	(81 132)	(85 270)
Adjusted net debt	**(26 010)**	**(30 988)**

	Twelve months ended	
	30 June 2020	**30 June 2019**
Gross profit	18 476	20 581
Add: Purchase price allocation from acquisition of Leader-Invest included in cost of sales	2 760	1 331
Less: General and administrative expenses	(6 518)	(6 547)
Less: Selling expenses	(4 504)	(3 934)
Adjusted operating profit	10 214	11 431
Add: Depreciation and amortisation	657	459
Adjusted EBITDA (LTM)	**10 871**	**11 890**
Adjusted net debt/Adjusted EBITDA (LTM)	**(2,39)**	**(2,61)**

Adjusted net debt represents net total of current, non-current borrowings less cash and cash equivalents and bank deposits over 3 months adjusted for contract liabilities in the Residential development segment less balance of inventories under construction and development. Adjusted net debt measures the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

Adjusted EBITDA represents gross profit for the last twelve months period (LTM), adjusted by general and administrative expenses, selling expenses, depreciation and amortisation and effect of purchase price allocation from acquisition of subsidiary.

The result is the equivalent of profit (loss) for the last twelve months period before net finance costs, income tax expense, depreciation and amortization and effect of purchase price allocation, impairment loss on trade and other receivables, gain from bargain purchase from acquisition of subsidiary and other operating expenses.

We believe that adjusted EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures and other investments and our ability to incur and service debt.

Adjusted net debt/adjusted EBITDA ratio is used by creditors, credit rating agencies and other stakeholders.