

Etalon Group PLC

Consolidated Interim Financial Statements

For the six months ended 30 June 2017

Contents

Interim Management Report	3
Statement of the members of the Board of Directors and management of the Company	5
Independent Auditors' Report on Review of Consolidated Interim Financial Statements	6
Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Interim Statement of Financial Position	9
Consolidated Interim Statement of Changes in Equity	10
Consolidated Interim Statement of Cash Flows	12
Notes to the Consolidated Interim Financial Statements	13

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 2017 reviewed by the independent auditors.

Financial results

The results of the Group for the six months ended 30 June 2017 are set out on page 8 of the Consolidated Interim Financial Statements.

(a) Revenue

The Group’s total revenue for the first half of 2017 amounted to RUB 24 151 million as compared to RUB 19 742 million in the corresponding period of 2016, recording an increase of 22%.

(b) Gross profit

The gross profit for the six months ended 30 June 2017 is RUB 4 855 million as compared to RUB 4 057 million in the corresponding period of 2016, recording an increase of 20%.

(c) Results from operating activities

During the six months ended 30 June 2017, general and administrative expenses increased by RUB 32 million, or 2%, selling expenses increased by RUB 250 million, or 27% and other expenses, net decreased by RUB 176 million, or 36%, as compared to the corresponding period of 2016.

Results from operating activities, during the six months ended 30 June 2017 amounted to RUB 1 378 million versus RUB 686 million in the corresponding period of 2016.

(d) Finance income

Net finance income for the six months ended 30 June 2017 decreased to RUB 363 million from RUB 739 million in the corresponding period of 2016. The decrease is due to higher finance costs caused mainly by allowance for doubtful accounts receivable.

(e) Income tax expense

Income tax expense for the first six months ended 30 June 2017 increased to RUB 527 million as compared to RUB 117 million during the corresponding period of 2016.

(f) Profit for the period

The profit for the period attributable to the owners of the Company amounting to RUB 1 210 million (as compared to six months ended 30 June 2016: profit of RUB 1 307 million) is transferred to retained earnings.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in Note 1(b) of the Consolidated Interim Financial Statements.

INTERIM MANAGEMENT REPORT (CONTINUED)

Future developments of the Group

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Group in the foreseeable future.

Nonrecurring or unusual activities and other significant events

During the six months ended 30 June 2017, there have been no revenues, profits or losses from non-recurring activities and/or from activities other than the Group's ordinary business or any significant events which had substantial impact on the interim financial results.

Related party transactions

Related party transactions are disclosed in Note 30 of the Consolidated Interim Financial Statements.

Dividends

On 28 April 2017, the Board of Directors recommended a final dividend of USD 0.107 per share for the year ended 31 December 2016. A final dividend of USD 0.107 per share (or RUB 1 873 million in total) was approved by the Annual General Meeting of shareholders on 27 July 2017. On 23 August 2017, dividends were paid.

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 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
Director

Nicosia
27 September 2017

Statement of the members of the Board of Directors and management of the Company for the half-year financial report

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') for the six months ended 30 June 2017, the names of which are listed below, confirm that, to the best of our knowledge:

(a) The consolidated interim financial statements for the six months ended 30 June 2017:

(i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including the requirements of IAS 34 Interim Financial Reporting;

(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 Interim Management Report provides a fair overview on information required as per section 6 of article 10 of Law 190(l)/2007 as amended.

DMITRY VIACHESLAVOVICH ZARENKOV, Chairman of the Board of Directors	
VIACHESLAV ADAMOVICH ZARENKOV, Member of the Board of Directors, CEO	
VICTOR VASENEV, CFO	

27 September 2017



KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
T: +357 22 209000, F: +357 22 678200

Independent Auditors' Report on Review of Consolidated Interim Financial Statements

To Etalon Group PLC

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of Etalon Group PLC (formerly Etalon Group Limited) (the "Company") and its subsidiaries (the "Group") as at 30 June 2017, and the related consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (the "consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by European Union (IFRS-EU) including the requirements of IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

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 consolidated 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.

Board Members

R. G. Sotiropoulos, A. P. Kiriakides, P. G. Ieremia, A. M. Georgiades, P. S. Vasilou, A. A. Aggelakou,
S. A. Iliadis, M. A. I. Iliadis, S. G. Soteriades, M. M. Antonides, C. V. Vassiliou, P. E. Antonides,
M. J. Haliou, M. P. Doulou, P. A. Poulas, C. V. Makrides, M. A. Papanicolaou, K. A. Papanicolaou,
A. J. Moutafakis, G. N. Tsiakos, H. G. Christodoulou, C. P. Alexopoulos, H. P. Doulou,
M. G. Giannakopoulos, H. A. Kallitzi, G. P. Savva, C. A. Kiriakides, C. N. Kiriakides, M. H. Zafiris, D. S. Efraim,
M. C. Lazarou, Z. E. Hadjichristou, P. S. Tsiakopoulos, M. A. Konstantinou, L. A. Anagnostou,
D. V. Andriou, J. C. Nicosias, G. D. Poulas, A. S. Soteriades, G. N. Sotiropoulos, T. J. Soteriades,
A. A. Daplay, L. A. Christodoulou, P. R. Vassiliou

KPMG Limited, a private limited liability company registered in the Republic of Cyprus with registration number HE 132022, whose registered office is at Esperidon Street, 1087, Nicosia, Cyprus

Limassol

P.O. Box 50161, 3001
T: +357 25 669000
F: +357 25 363342

Nicosia

P.O. Box 40075, 0300
T: +357 24 200000
F: +357 24 200200

Pafos

P.O. Box 60288, 0100
T: +357 26 943050
F: +357 26 943062

Paralimni / Ayia Napa

P.O. Box 43200, 5111
T: +357 23 820000
F: +357 23 820001

Larnaca

P.O. Box 66014, 8700
T: +357 26 322009
F: +357 26 322772



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2017, and its consolidated financial performance and its consolidated cash flows for the six - month period then ended in accordance with IFRS-EU including the requirements of IAS 34 *Interim Financial Reporting*.

KPMG Limited
KPMG Limited

Certified Public Accountants and Registered Auditors

14 Esperidon Street

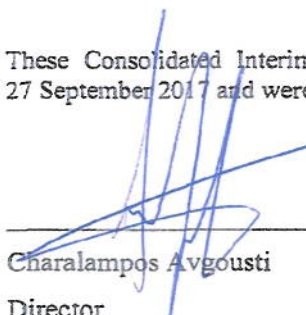
1087 Nicosia, Cyprus

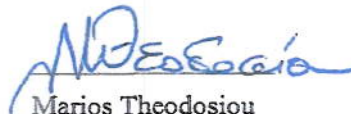
27 September 2017

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2017

mln RUB	Note	Six months ended 30 June	
		2017	2016
Revenue	6	24 151	19 742
Cost of sales		<u>(19 296)</u>	<u>(15 685)</u>
Gross profit		4 855	4 057
General and administrative expenses	8	(1 990)	(1 958)
Selling expenses		(1 168)	(918)
Other expenses, net	9	<u>(319)</u>	<u>(495)</u>
Results from operating activities		<u>1 378</u>	<u>686</u>
Finance income	11	760	891
Finance costs	11	<u>(397)</u>	<u>(152)</u>
Net finance income		<u>363</u>	<u>739</u>
Profit before income tax		<u>1 741</u>	<u>1 425</u>
Income tax expense	12	<u>(527)</u>	<u>(117)</u>
Profit for the period		<u>1 214</u>	<u>1 308</u>
Total comprehensive income for the period		<u>1 214</u>	<u>1 308</u>
Profit attributable to:			
Owners of the Company		1 210	1 307
Non-controlling interest		4	1
Profit for the period		<u>1 214</u>	<u>1 308</u>
Total comprehensive income attributable to:			
Owners of the Company		1 210	1 307
Non-controlling interest		4	1
Total comprehensive income for the period		<u>1 214</u>	<u>1 308</u>
Earnings per share			
Basic and diluted earnings per share (RUB)	22	<u>4,14</u>	<u>4,47</u>

These Consolidated Interim Financial Statements were approved by the Board of Directors on 27 September 2017 and were signed on its behalf by:


Charalampos Avgousti
Director


Marios Theodosiou
Director

min RUB	Note	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	13	2 927	2 889
Investment property	14	354	561
Other long-term investments	15	630	545
Trade and other receivables	18	5 633	5 063
Deferred tax assets	16	1 617	1 414
Total non-current assets		11 161	10 472
Current assets			
Inventories under construction	17	55 267	47 742
Inventories - finished goods	17	21 507	22 580
Other inventories	17	1 150	939
Advances paid to suppliers	18	12 178	9 970
Trade receivables	18	8 865	7 341
Other receivables	18	5 425	4 098
Short-term investments	19	754	793
Cash and cash equivalents	20	9 392	10 206
Total current assets		114 538	103 669
Total assets		125 699	114 141
EQUITY AND LIABILITIES			
Equity			
Share capital	21	2	1
Share premium	21	15 509	15 509
Reserve for own shares	21	(908)	(440)
Retained earnings		44 263	43 052
Total equity attributable to equity holders of the Company		58 866	58 122
Non-controlling interest		-	28
Total equity		58 866	58 150
Non-current liabilities			
Loans and borrowings	23	14 973	12 415
Trade and other payables	25	3 270	859
Provisions	24	99	107
Deferred tax liabilities	16	1 173	1 557
Total non-current liabilities		19 515	14 938
Current liabilities			
Loans and borrowings	23	4 051	5 639
Trade and other payables	25	12 472	10 083
Advances from customers	25	29 301	23 583
Provisions	24	1 494	1 748
Total current liabilities		47 318	41 053
Total equity and liabilities		125 699	114 141

mIn RUB	Attributable to equity holders of the Company						
	Share capital	Share premium	Reserve for own shares	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2016	1	15 438	(440)	39 697	54 696	147	54 843
Total comprehensive income for the period							
Profit for the period	-	-	-	1 307	1 307	1	1 308
Total comprehensive income for the period	-	-	-	1 307	1 307	1	1 308
Transactions with owners, recorded directly in equity							
Dividends to equity holders	-	-	-	(961)	(961)	-	(961)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Changes in ownership interest in subsidiaries	-	-	-	25	25	(65)	(40)
Total transactions with owners	-	-	-	(936)	(936)	(65)	(1 001)
Balance at 30 June 2016	1	15 438	(440)	40 068	55 067	83	55 150

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 13 to 54.

mln RUB	Attributable to equity holders of the Company						Non-controlling interest	Total equity
	Share capital	Share premium	Reserve for own shares	Retained earnings	Total			
Balance at 1 January 2017	1	15 509	(440)	43 052	58 122	28	58 150	
Total comprehensive income for the period	-	-	-	1 210	1 210	4	1 214	
Profit for the period	-	-	-	1 210	1 210	4	1 214	
Total comprehensive income for the period	-	-	-	1 210	1 210	4	1 214	
Transactions with owners, recorded directly in equity								
Issuance of preference shares	1	-	-	-	1	-	1	
Acquisition of own shares	-	-	(468)	-	(468)	-	(468)	
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Changes in ownership interest in subsidiaries	-	-	-	1	1	(32)	(31)	
Total transactions with owners	1	-	(468)	1	(466)	(32)	(498)	
Balance at 30 June 2017	2	15 509	(908)	44 263	58 866	-	58 866	

mln RUB	Notes	Six months ended 30 June	
		2017	2016
OPERATING ACTIVITIES:			
Profit for the period		1 214	1 308
<i>Adjustments for:</i>			
Depreciation	13, 14	172	240
Gain on disposal of property, plant and equipment	9	(51)	(7)
Gain on disposal of investment property	9	(27)	-
Impairment loss on investment property	9	-	27
Impairment loss on inventories	9	312	290
Finance income, net	11	(363)	(739)
Income tax expense	12	527	117
Cash from operating activities before changes in working capital and provisions		1 784	1 236
Change in inventories		(3 884)	(502)
Change in accounts receivable		(5 831)	(2 381)
Change in accounts payable		8 175	8 519
Change in provisions	24	(262)	(1 694)
Cash generated from operating activities		(18)	5 178
Income tax paid		(1 090)	(1 070)
Interest paid		(1 094)	(1 278)
Net cash (used in)/from operating activities		(2 202)	2 830
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		221	45
Proceeds from disposal of investment property		224	-
Interest received		410	580
Acquisition of property, plant and equipment		(365)	(218)
Loans given		(27)	(41)
Loans repaid		317	17
Acquisition of other investments		(377)	(128)
Disposal of other investments		40	15
Net cash from investing activities		443	270
FINANCING ACTIVITIES:			
Acquisition of non-controlling interest		(30)	(38)
Proceeds from borrowings		4 671	5 882
Repayments of borrowings		(3 678)	(3 635)
Dividends paid		-	(961)
Net cash from financing activities		963	1 248
Net (decrease)/increase in cash and cash equivalents		(796)	4 348
Cash and cash equivalents at the beginning of the period		10 206	11 532
Effect of exchange rate fluctuations on cash and cash equivalents		(18)	(110)
Cash and cash equivalents at the end of the period	20	9 392	15 770

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) (or 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:

St. Julian’s Avenue, Redwood House
St. Peter Port, Guernsey
GY1 1WA, the Channel Islands (before 5 April 2017)

2-4 Arch. Makariou III Avenue
Capital Center, 9th floor
1065 Nicosia
Cyprus (effective from 5 April 2017)

The Group’s principal activity is residential development in Saint-Petersburg metropolitan area and Moscow metropolitan area, the Russian Federation.

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

b) Business environment

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 characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated 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 including the requirements of IAS 34 "Interim Financial Reporting".

b) Basis of measurement

The consolidated interim financial statements are prepared on the historical cost basis.

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 the Group's subsidiaries, including foreign operations, is 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 IFRSs 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 critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, as well as 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 14 – investment property
- Note 17 – inventories – barter transactions, obsolescence provisions;
- Note 24 – provisions;
- Note 29 – contingencies.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements, and have been applied consistently by Group entities.

a) Basis of consolidation

(i) *Business combinations*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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 financial statements of subsidiaries are included in the consolidated 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 31.

(iii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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) *Financial assets*

The Group's financial assets comprise investments in equity and debt securities, loans given, trade and other receivables, and cash and cash equivalents.

The Group initially recognises loans and receivables and deposits on the date that they are originated.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a

transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(ii) Financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for loans given and receivables at a specific asset level. All receivables and loans are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and

reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

d) Advances received and paid

Due to the nature of its activities the Group receives significant advances from customers, and makes significant prepayments to sub-contractors and other suppliers. Advances received and paid are recognised on an undiscounted basis.

e) 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 2017.

f) Inventories

Inventories comprise real estate properties under construction (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 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.

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

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 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.

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.

g) Revenue

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

Revenue from the sale of real estate properties is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The Group generally considers that risks and rewards have been transferred on the date when a buyer signs the act of acceptance of the property. However, transfer of risks and rewards may vary depending on the individual terms of the sales contracts.

When sales are contracted under share participation agreements the significant risks and rewards of ownership are considered to have been transferred to individual buyers when the construction is completed and the building has been approved by the State commission for acceptance of finished buildings.

In relation to sales via housing cooperatives, revenue is recognised 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.

(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 falling within the scope of IAS 11 *Construction Contracts*.

For the first type of contracts revenue from construction services rendered is recognised in the consolidated statement of Profit or Loss and Other Comprehensive Income when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. 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 and costs are recognised by reference to the stage of completion of the contract activity 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. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group recognises the following assets and liabilities related to construction contracts:

- unbilled receivables represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Unbilled receivables are presented as part of trade and other receivables in the consolidated statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings;
- billings in excess of work completed are recognised as a part of trade and other payables if progress billings exceed costs incurred plus recognised profits.

(iii) Revenue from sale of construction materials

Revenue from the sale of construction materials produced by the Group is recognised in the consolidated statement of profit or loss and other comprehensive income when significant risks and rewards of ownership have been transferred to the buyer.

(iv) Rental income

Rental income from stand-alone and built-in commercial properties (see note 3(f)) is recognised in the consolidated interim statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

h) 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.

i) New Standards and Interpretations

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 30 June 2017, and have not been applied in preparing this consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IFRS 9 *Financial Instruments* adopted by the EU will be effective for annual periods beginning on or after 1 January 2018 and will replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The Group does not intend to adopt this standard early.
- IFRS 15 *Revenue from Contracts with Customers* adopted by the EU will be effective for annual periods beginning on or after 1 January 2018. The new standard will replace International Financial Reporting Standard IAS 11 *Construction Contracts*, IAS 18 *Revenue*,

IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers*, SIC 31 *Revenue - Barter Transactions Involving Advertising Services*. The Group uses funds obtained from customers in the form of prepayments to construct real estate properties. IFRS 15 requires adjusting the promised amount of consideration for a significant financing component using the discount rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception. The effects of financing (interest expense) should be presented separately from revenue from contracts with customers. The Group does not expect the adjustment for a significant financing component to have a significant impact on its financial results as the interest expense in respect of prepayments from customers is likely to qualify for capitalization as part of work in progress, construction of buildings. Also, the Group continues its analysis of applicability of paragraph 35 of IFRS 15 to revenue recognised under shared construction participation agreements. If the Group concludes that one of the criteria in paragraph 35 of IFRS 15 applies, the revenue under these agreements will be recognised over time, i.e. during the construction of building rather than on its completion.

- IFRS 16 not adopted by the EU replaces the existing lease accounting guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The Group has started an initial assessment of the possible impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of land plots for development purposes. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions.

Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2018. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

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) Derivatives

For the contracts concluded before April 2015 the Group denominates its trade receivables from sales of commercial and residential properties in conditional units that are linked to RUB/USD

exchange rate. The upper and lower ranges of possible fluctuations of exchange rate are fixed in the sales contracts.

Due to current market conditions the Group suspends applying upper and lower ranges of exchange rate (corridor 32 RUB – 36 RUB per a conditional unit, prescribed by sales contracts) for its settlements and used conversion rate equal to 33 RUB per a conditional unit.

Starting from April 2015 all sales are denominated in RUB.

c) 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.

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 meet any of the quantitative thresholds for determining reportable segments during the six months ended 30 June 2017 or 2016.

a) Information about reportable segments

	Residential development		Construction services		Other		Total	
	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016	Six months ended 30 June 2017	Six months ended 30 June 2016
mIn RUB								
External revenues	16 409	11 828	3 726	4 812	4 016	3 102	24 151	19 742
Inter-segment revenue	-	-	6 566	3 893	278	294	6 844	4 187
Total segment revenue	16 409	11 828	10 292	8 705	4 294	3 396	30 995	23 929
Gross profit	4 639	3 692	326	401	(110)	(36)	4 855	4 057
Interest in cost of sales (note 11)	702	508	-	-	-	-	702	508
Gross profit adjusted for interest in cost of sales	5 341	4 200	326	401	(110)	(36)	5 557	4 565
Gross profit adjusted, %	33%	36%						
Reportable segment assets:								
inventories	75 299	69 436	720	622	1 905	1 203	77 924	71 261
Reportable segment liabilities:								
advances from external customers	27 329	22 292	1 913	1 233	68	69	29 310	23 594

b) Geographical information

In presenting information on the basis of geographical information, revenue is based on the geographical location of properties.

mln RUB	Revenues		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2017	2016	2017	2016
St. Petersburg metropolitan area	12 800	12 840	5 660	5 926
Moscow metropolitan area	11 351	6 902	5 501	4 546
	<u>24 151</u>	<u>19 742</u>	<u>11 161</u>	<u>10 472</u>

c) Major customer

Revenue from one customer of the Group, recognised within the segment “Construction services”, amounted to RUB 599 million or 2% of the Group’s total revenue for the six months ended 30 June 2017 (revenue from one customer of the Group, recognised within the segment “Construction services”, amounted to RUB 2 697 million or 14% of the Group’s total revenue for the six months ended 30 June 2016).

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

mln RUB	Six months ended	
	2017	2016
Revenues		
Total revenue for reportable segments	30 995	23 929
Elimination of inter-segment revenue	(6 844)	(4 187)
Consolidated interim revenue	<u>24 151</u>	<u>19 742</u>
Profit or loss		
Gross profit for reportable segments	4 855	4 057
General and administrative expenses	(1 990)	(1 958)
Selling expenses	(1 168)	(918)
Other expenses, net	(319)	(495)
Finance income	760	891
Finance costs	(397)	(152)
Consolidated interim profit before income tax	<u>1 741</u>	<u>1 425</u>
	30 June	31 December
	2017	2016
Assets		
Total assets for reportable segments: inventories	77 924	71 261
Total inventories	<u>77 924</u>	<u>71 261</u>
Liabilities		
Total liabilities for reportable segments: advances from external customers	29 310	23 594
Total advances from external customers	<u>29 310</u>	<u>23 594</u>

Performance of the reporting segments is measured by the management based on gross profits as the most relevant in evaluating the results of certain segments. 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 advances received from customers as the key indicators relevant for segment performance measurement. Therefore, other assets and liabilities are not allocated between the segments.

6 Revenue

mln RUB	Six months ended 30 June	
	2017	2016
Sale of flats	15 273	10 743
Sale of built-in commercial premises	562	603
Sale of parking places	574	482
<i>Total revenue of segment Residential development (note 5 (a))</i>	<u>16 409</u>	<u>11 828</u>
Construction contracts (note 7)	3 209	4 448
Other construction services	517	364
<i>Total revenue of segment Construction services (note 5 (a))</i>	<u>3 726</u>	<u>4 812</u>
Sale of construction materials	2 095	1 488
Sale of stand-alone commercial premises	97	-
Rental revenue	361	411
Other revenue	1 463	1 203
<i>Total other revenue (note 5 (a))</i>	<u>4 016</u>	<u>3 102</u>
Total revenues	<u>24 151</u>	<u>19 742</u>

7 Construction contracts

mln RUB	Six months ended 30 June	
	2017	2016
Revenue recognised during the period	3 209	4 448
Costs incurred	(2 955)	(4 120)
Recognised profits during the period	254	328
	30 June 2017	31 December 2016
For contracts in progress - aggregate amount of costs incurred and recognised profits to date	7 307	6 997
Advances for which the related work has not started	1 646	1 105
Unbilled receivables	1 927	955
Billings in excess of work completed	145	710
Retentions relating to construction contracts	34	34

Revenue recognised during the period is included into the line “Construction services” in note 6.

Unbilled receivables under construction contracts and retentions relating to construction contracts in progress are included into accounts receivable (see note 18).

Advances for which the related work has not started, and billings in excess of costs incurred and recognised profits, are presented as accounts payable (see note 25).

8 General and administrative expenses

mln RUB	Six months ended 30 June	
	2017	2016
Payroll and related taxes	1 367	1 421
Services	189	126
Audit and consulting services	59	68
Bank fees and commissions	59	65
Other taxes	77	62
Materials	28	30
Depreciation	26	29
Repair and maintenance	42	18
Other	143	139
Total	1 990	1 958

9 Other expenses, net

mln RUB	Six months ended 30 June	
	2017	2016
<i>Other income</i>		
Gain on disposal of property, plant and equipment	51	7
Gain on disposal of investment property	27	-
Fees and penalties received	16	-
Other income	39	21
	133	28
<i>Other expenses</i>		
Impairment loss on inventories (Note 17)	(312)	(290)
Other expenses	(140)	(153)
Charity	-	(53)
Impairment of investment property (Note 14)	-	(27)
	(452)	(523)
Other expenses, net	(319)	(495)

10 Personnel costs

mln RUB	Six months ended 30 June	
	2017	2016
Wages and salaries, incurred during the period	2 553	2 595
Contributions to State pension fund	659	614
	3 212	3 209

Remuneration to employees in respect of services rendered during the period is recognised on an undiscounted basis as an expense in the consolidated interim 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 2017 personnel costs and related taxes included in cost of production amounted to RUB 1 561 million (six months ended 30 June 2016: RUB 1 446 million). The remaining part of personnel expenses was subsumed within general and administrative expenses (see note 8) and selling expenses in the amount of RUB 284 million (six months ended 30 June 2016: RUB 342 million).

11 Finance income and finance costs

mln RUB	Six months ended 30 June	
	2017	2016
Recognised in profit or loss		
Finance income		
Interest income on bank deposits	278	437
Interest income on loans and receivables	132	143
Unwinding of discount on trade receivables	348	269
Gain on write-off of accounts payable	2	8
Decrease in allowance for doubtful accounts receivable	-	34
Finance income	760	891
Finance costs		
Increase in allowance for doubtful accounts receivable	(310)	-
Loss on write-off of accounts receivable	(63)	(37)
Net foreign exchange loss	(22)	(51)
Interest expense on finance leases	(2)	(6)
Increase in allowance for investments	-	(58)
Finance costs	(397)	(152)
Net finance income recognised in profit or loss	363	739

In addition to interest expense recognised in the consolidated statement of profit or loss and other comprehensive income, the following amounts of borrowing costs have been capitalised into the cost of real estate properties under construction:

mln RUB	Six months ended 30 June	
	2017	2016
Borrowing costs capitalised during the period	1 084	1 301
Weighted average capitalisation rate	11,6%	13,8%

During the six months ended 30 June 2017, borrowing costs that have been capitalised into the cost of real estate properties under construction in the amount of RUB 702 million (six months ended 30 June 2016: RUB 508 million), were included into the cost of sales upon completion of construction and sale of those properties.

12 Income tax expense

For the period from 1 January to 4 April 2017, the Company's applicable tax rate under the Income Tax (0%/10%) (Guernsey) Law, 2007 was 0%. Effective from 5 April 2017, the Company's applicable tax rate under the Cyprus Income Tax Law became 12,5%.

The Group's applicable tax rate is the income tax rate of 20% for Russian companies (2016: 20%).

mln RUB	Six months ended 30 June	
	2017	2016
Current tax expense		
Current period	1 111	1 060
Under-provided/(over-provided) in prior period	3	24
	<u>1 114</u>	<u>1 084</u>
Deferred tax expense		
Origination and reversal of temporary differences	(587)	(967)
Income tax expense	<u>527</u>	<u>117</u>

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate 20% (2016: 20%):

mln RUB	Six months ended 30 June	
	2017	2016
Profit before income tax	1 741	1 425
Theoretical income tax at statutory rate of 20%	348	285
<i>Adjustments due to:</i>		
Effect of 16,5% tax rate (6 months 2016: 15,5% tax rate) *	(30)	(232)
Expenses not deductible and income not taxable for tax purposes, net	209	64
Income tax expense	<u>527</u>	<u>117</u>

* - the operations of JSC "Etalon LenSpetsSMU (JSC "SSMO LenSpetsSMU" before 18 April 2017) are taxable at a rate of 16,5% due to applied tax concession.

13 Property, plant and equipment

During the six months ended 30 June 2017, depreciation expense of RUB 132 million (six months ended 30 June 2016: RUB 183 million) has been charged to cost of sales, RUB 20 million (six months ended 30 June 2016: RUB 22 million) to cost of real estate properties under construction, RUB 4 million (six months ended 30 June 2016: RUB 2 million) to selling expenses and RUB 26 million (six months ended 30 June 2016: RUB 29 million) to general and administrative expenses.

a) Security

At 30 June 2017 no properties (31 December 2016: none) are pledged to secure bank loans (see note 23).

b) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2017 the net book value of leased plant and machinery was RUB 196 million (31 December 2016: RUB 205 million). The leased equipment secures lease obligations.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
<i>Cost</i>							
Balance at 1 January 2016	938	2 462	110	163	117	533	4 323
Additions	62	52	7	9	-	88	218
Reclassification from inventories	10	-	-	-	-	-	10
Disposals	(67)	(80)	(5)	(3)	-	-	(155)
Transfers	22	1	-	7	-	(30)	-
Balance at 30 June 2016	965	2 435	112	176	117	591	4 396
Balance at 1 January 2017	1 155	2 425	134	189	117	910	4 930
Additions	114	72	3	16	-	160	365
Reclassification from inventories	25	-	-	-	-	-	25
Disposals	(200)	(16)	(8)	(17)	-	-	(241)
Transfers	35	1	-	-	-	(36)	-
Balance at 30 June 2017	1 129	2 482	129	188	117	1 034	5 079

Depreciation and impairment losses

Balance at 1 January 2016	(255)	(1 430)	(60)	(99)	-	-	(1 844)
Depreciation for the period	(77)	(136)	(11)	(12)	-	-	(236)
Disposals	45	67	3	2	-	-	117
Balance at 30 June 2016	(287)	(1 499)	(68)	(109)	-	-	(1 963)
Balance at 1 January 2017	(296)	(1 547)	(80)	(118)	-	-	(2 041)
Depreciation for the period	(58)	(102)	(10)	(12)	-	-	(182)
Disposals	46	10	5	10	-	-	71
Balance at 30 June 2017	(308)	(1 639)	(85)	(120)	-	-	(2 152)
Carrying amounts							
Balance at 1 January 2016	683	1 032	50	64	117	533	2 479
Balance at 30 June 2016	678	936	44	67	117	591	2 433
Balance at 1 January 2017	859	878	54	71	117	910	2 889
Balance at 30 June 2017	821	843	44	68	117	1 034	2 927

14 Investment property

mln RUB	<u>2017</u>	<u>2016</u>
<i>Cost</i>		
Balance at 1 January	806	1 456
Disposals	(199)	(5)
Balance at 30 June	<u>607</u>	<u>1 451</u>
<i>Accumulated depreciation and impairment losses</i>		
Balance at 1 January	(245)	(918)
Depreciation for the period	(10)	(24)
Impairment loss	-	(27)
Disposals	2	-
Balance at 30 June	<u>(253)</u>	<u>(969)</u>
<i>Carrying amount at 1 January</i>	<u>561</u>	<u>538</u>
<i>Carrying amount at 30 June</i>	<u>354</u>	<u>482</u>

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

The Group determines fair value of its investment properties on a semi-annual basis. As at 30 June 2017, fair value amounted to RUB 454 million (31 December 2016: RUB 771 million), which was determined based on discounted cash flows from the use of the property using the income approach. During the six months ended 30 June 2017, the Group has recognised no impairment loss for properties (six months ended 30 June 2016: impairment loss of RUB 27 million).

15 Other long-term investments

mln RUB	<u>30 June 2017</u>	<u>31 December 2016</u>
Bank promissory notes	543	541
Loans, at amortised cost	87	4
	<u>630</u>	<u>545</u>

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

As at 30 June 2017 bank promissory notes in the amount of RUB 451 million are pledged as security of secured bank loans (as at 31 December 2016: RUB 542 million).

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

mln RUB	Assets		Liabilities		Net	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Property, plant and equipment	205	318	(688)	(629)	(483)	(311)
Investments	10	9	-	-	10	9
Inventories	1 995	1 931	(858)	(865)	1 137	1 066
Trade and other receivables	290	646	(2 326)	(2 536)	(2 036)	(1 890)
Deferred expenses	135	139	(519)	(469)	(384)	(330)
Loans and borrowings	21	30	(8)	(9)	13	21
Provisions	192	119	(15)	8	177	127
Trade and other payables	2 160	1 625	(318)	(702)	1 842	923
Tax loss carry-forwards	170	134	-	(3)	170	131
Other	75	138	(77)	(27)	(2)	111
Tax assets/(liabilities)	5 253	5 089	(4 809)	(5 232)	444	(143)
Set off of tax	(3 636)	(3 675)	3 636	3 675	-	-
Net tax assets/(liabilities)	1 617	1 414	(1 173)	(1 557)	444	(143)

(b) Unrecognised deferred tax liability

At 30 June 2017 a deferred tax liability arising on temporary differences of RUB 48 977 million (31 December 2016: RUB 44 528 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.

(c) Movement in temporary differences during the period

mln RUB	<u>1 January 2017</u>	<u>Recognised in profit or loss</u>	<u>30 June 2017</u>
Property, plant and equipment	(311)	(172)	(483)
Investments	9	1	10
Inventories	1 066	71	1 137
Trade and other receivables	(1 890)	(146)	(2 036)
Deferred expenses	(330)	(54)	(384)
Loans and borrowings	21	(8)	13
Provisions	127	50	177
Trade and other payables	923	919	1 842
Tax loss carry-forwards	131	39	170
Other	111	(113)	(2)
	<u>(143)</u>	<u>587</u>	<u>444</u>

mln RUB	<u>1 January 2016</u>	<u>Recognised in profit or loss</u>	<u>30 June 2016</u>
Property, plant and equipment	(72)	(24)	(96)
Investments	14	4	18
Inventories	921	(306)	615
Trade and other receivables	(1 932)	854	(1 078)
Deferred expenses	(523)	153	(370)
Loans and borrowings	12	(7)	5
Provisions	179	(38)	141
Trade and other payables	564	286	850
Tax loss carry-forwards	145	(26)	119
Other	41	71	112
	<u>(651)</u>	<u>967</u>	<u>316</u>

17 Inventories

mln RUB	<u>30 June 2017</u>	<u>31 December 2016</u>
<i>Inventories under construction</i>		
Own flats under construction	43 134	35 596
Built-in commercial premises under construction	5 500	4 830
Parking places under construction	7 870	8 294
	<u>56 504</u>	<u>48 720</u>
Less: Allowance for inventories under construction	<u>(1 237)</u>	<u>(978)</u>
<i>Total inventories under construction</i>	<u>55 267</u>	<u>47 742</u>
<i>Inventories - finished goods</i>		
Own flats	13 077	16 180
Built-in and stand-alone commercial premises	3 476	3 176
Parking places	5 431	3 650
	<u>21 984</u>	<u>23 006</u>
Less: Allowance for inventories - finished goods	<u>(477)</u>	<u>(426)</u>
<i>Total inventories - finished goods</i>	<u>21 507</u>	<u>22 580</u>
<i>Other inventories</i>		
Construction materials	830	719
Other	334	232
	<u>1 164</u>	<u>951</u>
Less: Allowance for other inventories	<u>(14)</u>	<u>(12)</u>
<i>Total other inventories</i>	<u>1 150</u>	<u>939</u>
Total	<u>77 924</u>	<u>71 261</u>

a) Barter transactions

Project 1

The Group entered into transaction for acquisition of land plot (3 lots) where a part of acquisition price has to be paid by means of transfer of certain percentage of flats constructed on this land plot. In 2013-2016, the Group has recognized the land component of this construction project within inventories at fair value of land plot acquired as follows: in 2013 - RUB 1 862 million, in 2014 - RUB 3 835 million, in 2015 - RUB 3 105 million, in 2016 - RUB 222 million.

The fair value of land plot was determined by an independent appraiser based on discounted cash flows from the construction and sale of properties.

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 – within 4,5%-6,4% per annum, a rate within this range was used, depending on year of recognition of land component;

- Discount rates – within 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

The Group entered into transaction for acquisition of investment rights for land plots where a part of acquisition price has to be paid by means of transfer of certain premises constructed on these land plots. In 2015 the Group has recognized the land component of this construction project within inventories at fair value of investment rights acquired.

The fair value of the investments rights acquired equal to RUB 4 522 million was determined based on discounted cash flows from the construction and sale of properties.

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 – within 4,5%-6,4% per annum;
- Discount rates – 23% per annum.

Project 3

The Group entered into transaction for acquisition of investment rights for land plots where a part of acquisition price has to be paid by means of transfer of certain premises constructed on these land plots. In 2017 the Group has recognized the land component of this construction project within inventories at fair value of investment rights acquired.

The fair value of the investments rights acquired equal to RUB 2 897 million was determined based on discounted cash flows from the construction and sale of properties.

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 – within 4%-4.9% per annum;
- Discount rates – 23% per annum.

Accordingly, at 30 June 2017, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013 – 2016 and six months 2017 in the amount of RUB 6 785 million, while the remaining balance of RUB 1 700 million is included into finished goods and RUB 540 million - into inventories under construction.

As at 30 June 2017, Project 2 and Project 3 were under construction, therefore no cost of land component was recognised in cost of sales during six months 2017.

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to the City Authorities. As at 30 June 2017, the cost of such social infrastructure amounts RUB 2 007 million and is included into the balance of finished goods and inventories under construction (31 December 2016: RUB 2 461 million). These costs are recoverable as part of projects they relate to.

b) Allowance for obsolete inventories

The following is movement in the allowance for obsolete inventories:

mln RUB	2017	2016
Balance at 1 January	1 416	986
Change in allowance for obsolete inventory	312	290
Balance at 30 June	1 728	1 276

As at 30 June 2017 the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 1 728 million (30 June 2016: RUB 1 276 million) and the respective allowance was recognised in other expenses, see note 9. As at 30 June 2017 the allowance of RUB 1 714 million relates to parking places.

The balance of parking places is equal to RUB 13 301 million as at 30 June 2017 (31 December 2016: RUB 11 944 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 rates –10,5% per annum;
- Inflation rates – 4,0 – 4,8% per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information of parking places considered analogues.

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 amount.

c) Rent out of property classified as inventories

The Group has temporarily rented out a part of certain items of property classified as inventories in these consolidated financial statements. The total carrying value of these items of property was RUB 558 million as at 30 June 2017 (31 December 2016: RUB 909 million). The Group is actively seeking buyers for these properties.

d) Pledges

Inventories with a carrying amount of RUB 7 592 million (31 December 2016: RUB 6 746 million) are pledged as security for borrowings, see note 23.

18 Trade and other receivables

mln RUB	<u>30 June 2017</u>	<u>31 December 2016</u>
<i>Long-term trade and other receivables</i>		
Trade receivables	5 495	4 970
Advances paid to suppliers	3	8
Other receivables	135	85
	<u>5 633</u>	<u>5 063</u>
<i>Short-term trade and other receivables</i>		
Trade receivables	9 424	7 733
Less: Allowance for doubtful trade accounts receivable	(559)	(392)
<i>Trade short-term less allowance</i>	<u>8 865</u>	<u>7 341</u>
Advances paid to suppliers	12 396	10 058
Less: Allowance for doubtful Advances paid to suppliers	(218)	(88)
<i>Advances paid to suppliers short-term less allowance</i>	<u>12 178</u>	<u>9 970</u>
VAT recoverable	2 906	2 370
Income tax receivable	235	412
Unbilled receivables	1 975	984
Trade receivables due from related parties	7	12
Other taxes receivable	7	13
Other receivables due from related parties	9	9
Other receivables	396	394
	<u>5 535</u>	<u>4 194</u>
Less: Allowance for doubtful other accounts receivable	(110)	(96)
<i>Other short-term less allowance</i>	<u>5 425</u>	<u>4 098</u>
Total short-term trade and other receivables	<u>26 468</u>	<u>21 409</u>
Total	<u>32 101</u>	<u>26 472</u>

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

19 Short-term investments

mln RUB	<u>30 June 2017</u>	<u>31 December 2016</u>
Bank deposits (over 3 months)	173	-
Bank promissory notes	547	385
Loans given	171	545
	<u>891</u>	<u>930</u>
Less: Allowance for doubtful loans given	(137)	(137)
Total	<u>754</u>	<u>793</u>

As at 30 June 2017 bank promissory notes in the amount of RUB 547 million are pledged as security of secured bank loans and banks' guarantees (as at 31 December 2016: RUB 23 million).

The Group's exposure to credit and currency risks and impairment losses related to loans given are disclosed in note 26.

20 Cash and cash equivalents

mln RUB	<u>30 June 2017</u>	<u>31 December 2016</u>
Cash in banks, in RUB	4 517	3 483
Cash in banks, in USD	265	516
Cash in banks, in EUR	57	52
Cash in banks, in GBP	2	-
Petty cash	23	21
Cash in transit	46	20
Short-term deposits (less than 3 months)	4 482	6 114
Total	<u>9 392</u>	<u>10 206</u>

The Group keeps major bank balances in the following Russian banks - Bank St. Petersburg, Sberbank, as well as in Citibank, N.A., London branch and in the Cypriot Hellenic Bank.

At 30 June 2017, one of the banks where the Group held its operating bank accounts, had a rating of B1 with Moody's Investors Service. At 30 June 2017, cash and cash equivalents held with that bank totaled RUB 3 314 million (31 December 2016: RUB 3 289 million). At 30 June 2017, the Group also had outstanding loans and borrowings with the same bank of RUB 2 507 million (31 December 2016: RUB 2 500 million).

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

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 2017		31 December 2016	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Authorised shares				
Par value at the beginning of the period	0,00005 GBP	-	0,00005 GBP	-
On issue at the beginning of the period	292 229 971	20 000	292 229 971	-
Par value at the end of the period	0,00005 GBP	1 GBP	0,00005 GBP	-
On issue at the end of the period, fully paid	292 229 971	20 000	292 229 971	-

During the six months ended 30 June 2017, the Company issued 20,000 preference shares of GBP 1 each. The shares bear no voting rights and no rights to dividend, and shall be redeemed within thirty days of giving notice by the Company to a holder of shares at a price per share at which each share was issued. Preference shares were fully paid in February 2017. Since the option to redeem the Company's shares are at the discretion of the Company and not the holders of the shares, the preference shares are classified as equity.

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

b) 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.

In June 2017, the Company acquired 2 193 776 own shares for the consideration of RUB 468 million, and as at 30 June 2017, the total number of own shares acquired by the Group amounted to 4 921 776 shares or 1,7% of issued share capital (as at 31 December 2016: 2 728 000 own shares or 1% of issued share capital) for the consideration of RUB 908 million (as at 31 December 2016: RUB 440 million).

At 30 June 2017, the consideration payable for acquisition of own shares in the amount of RUB 468 million remains outstanding to the broker and is included into the line Short Term Other payables in note 25. Own shares are collateralised to the broker as security for payables.

The consideration paid and payable 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.

c) 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. As at 30 June 2017, the total of subsidiaries' retained earnings, including the profits for the current period were RUB 47 778 million (31 December 2016: RUB 43 469 million). During the six months ended 30 June 2017, the shareholders did not approve and the Company did not pay any dividends (six months ended 30 June 2016: dividend of RUB 961 million).

d) Non-controlling interest in subsidiaries

During the six months ended 30 June 2017 the Group has acquired certain interests in a number of its subsidiaries. The transactions resulted in a decrease of non-controlling interest of RUB 32 million during six months ended 30 June 2017 (six months ended 30 June 2016: a decrease in non-controlling interest of RUB 65 million).

22 Earnings 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 period, as shown below. The Company has no dilutive potential ordinary shares.

<i>Number of shares unless otherwise stated</i>	<u>2017</u>	<u>2016</u>
Issued shares at 1 January	292 229 971	292 229 971
Effect of own shares acquired in June	(53 373)	-
Weighted average number of shares for the six months ended 30 June	<u>292 176 598</u>	<u>292 229 971</u>
Profit attributable to the owners of the Company, mln RUB	1 210	1 307
Basic and diluted earnings per share (RUB)	4,14	4,47

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	<u>30 June 2017</u>	<u>31 December 2016</u>
<i>Non-current liabilities</i>		
Secured bank loans	3 411	2 409
Unsecured bank loans	6 601	5 050
Unsecured bond issues	4 961	4 956
	<u>14 973</u>	<u>12 415</u>
<i>Current liabilities</i>		
Current portion of secured bank loans	1 867	2 650
Current portion of unsecured bank loans	1 015	712
Current portion of unsecured bond issues	1 169	2 277
	<u>4 051</u>	<u>5 639</u>

a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

mIn RUB	Currency	Nominal interest rate	Year of maturity	30 June 2017		31 December 2016	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loans				5 278	5 278	5 059	5 059
Secured bank loan	RUB	14,01%	2020	1 492	1 492	1 574	1 574
Secured bank loan	RUB	CBR's key rate + 2,8%	2020	1 351	1 351	-	-
Secured bank loan	RUB	13,00%	2017	837	837	1 804	1 804
Secured bank loan	RUB	12,40%	2021	815	815	986	986
Secured bank loan	RUB	13,00%	2021	568	568	-	-
Secured bank loan	RUB	12,40%	2021	215	215	240	240
Secured bank loan	RUB	13,20%	2017	-	-	455	455
Unsecured bank loans				7 616	7 616	5 762	5 762
Unsecured bank loan	RUB	9,70%	2021	2 002	2 002	-	-
Unsecured bank loan	RUB	11,00%	2018	1 504	1 504	1 500	1 500
Unsecured bank loan	RUB	10,50%	2020	1 300	1 300	1 300	1 300
Unsecured bank loan	RUB	11,00%	2019	1 003	1 003	1 000	1 000
Unsecured bank loan	RUB	11,50%	2020	1 002	1 002	1 002	1 002
Unsecured bank loan	RUB	10,50%	2019	505	505	506	506
Unsecured bank loan	RUB	12,00%	2021	250	250	250	250
Unsecured bank loan	RUB	10,80%	2021	-	-	174	174
Unsecured bank loan	RUB	13,20%	2017	50	50	-	-
Unsecured bank loan	RUB	12,90%	2017	-	-	30	30
Unsecured bond issues				6 170	6 130	7 279	7 233
Unsecured bonds	RUB	11,85%	2021	5 013	4 974	5 015	4 971
Unsecured bonds	RUB	12,90%	2017	1 157	1 156	2 264	2 262
				19 064	19 024	18 100	18 054

Bank loans are secured by:

- inventories with a carrying amount of RUB 7 592 million (31 December 2016: RUB 6 746 million), see note 17;
- bank promissory notes with a carrying amount of RUB 998 million (31 December 2016: RUB 565 million);
- pledge of 50% of shares in a subsidiary company JSC “Zatonskoe” which represents RUB 3 572 million in its net assets (31 December 2016: pledge of 50% of shares in a subsidiary company JSC “Zatonskoe” which represents RUB 3 710 million in its net assets);
- pledge of 100% of shares in a subsidiary company LLC “Daikar” which represents RUB 4 867 million in its net assets (31 December 2016: none).

The bank loans are subject to certain restrictive covenants, which are calculated based on the individual financial statements of certain entities of the Group. There has been no significant breach of any of the restrictive covenants during the reporting period. However, at the period end, one group entity was not in compliance with a covenant relating to loans with a combined carrying value of RUB 1 030 million. The respective non-current portion of loans in the amount of RUB 815 million is classified as current liabilities as at 30 June 2017 (31 December 2016: no breaches of restrictive covenant).

24 Provisions

mln RUB	Provision for deferred works		
	Warranties		Total
Balance at 1 January 2016	117	3 546	3 663
Provisions made during the period	14	1 051	1 065
Provisions used during the period	(22)	(2 659)	(2 681)
Provision reversed during the period	-	(78)	(78)
Balance at 30 June 2016	109	1 860	1 969
Balance at 1 January 2017	107	1 748	1 855
Provisions made during the period	7	752	759
Provisions used during the period	(15)	(883)	(898)
Provision reversed during the period	-	(123)	(123)
Balance at 30 June 2017	99	1 494	1 593
Non-current	99	-	99
Current	-	1 494	1 494
	99	1 494	1 593

a) Warranties

The provision for warranties relates mainly to the residential units sold during the period. 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 in 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 Trade and other payables

mln RUB	<u>30 June 2017</u>	<u>31 December 2016</u>
<i>Long-term</i>		
Trade payables	39	64
Finance lease liabilities	-	6
Advances from customers	9	11
Other payables	3 222	778
	<u>3 270</u>	<u>859</u>
<i>Short-term</i>		
Trade payables	4 139	2 999
VAT payable	2 597	2 134
Payroll liabilities	545	536
Other taxes payable	219	190
Billings in excess of work completed	159	737
Income tax payable	246	399
Finance lease liabilities	26	44
Other payables	4 541	3 044
	<u>12 472</u>	<u>10 083</u>
Advances from customers	29 301	23 583
	<u>41 773</u>	<u>33 666</u>
Total	<u>45 043</u>	<u>34 525</u>

Long-term other payables and short-term other payables mainly consist of obligation equal to RUB 2 126 million (31 December 2016: RUB 1 961 million) to construct the social infrastructure objects and liability of RUB 4 717 million (31 December 2016: RUB 1 185 million) to the City authorities for lease rights and change of intended use of land plot recognised as part of inventories.

Advances from customers include amounts totalling RUB 6 608 million received for objects which will be put in use in more than 12 months after the reporting date (31 December 2016: RUB 4 051 million).

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.

mln RUB	Carrying amount			Fair value		
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Total
30 June 2017						
Financial assets not measured at fair value						
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	16 893	-	16 893	-	16 893	16 893
Bank deposits (over 3 months)	173	-	173	-	173	173
Bank promissory notes	1 090	-	1 090	-	1 136	1 136
Cash and cash equivalents	9 392	-	9 392	9 392	-	9 392
	27 548	-	27 548	9 392	18 202	27 594
Financial liabilities not measured at fair value						
Secured bank loans	-	(5 278)	(5 278)	-	(5 608)	(5 608)
Unsecured bank loans	-	(7 616)	(7 616)	-	(7 577)	(7 577)
Unsecured bond issues	-	(6 130)	(6 130)	(6 520)	-	(6 520)
Trade and other payables	-	(12 671)	(12 671)	-	(12 620)	(12 620)
	-	(31 695)	(31 695)	(6 520)	(25 805)	(32 325)
mln RUB						
31 December 2016						
Financial assets not measured at fair value						
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	14 111	-	14 111	-	14 111	14 111
Bank deposits (over 3 months)	-	-	-	-	-	-
Bank promissory notes	926	-	926	-	930	930
Cash and cash equivalents	10 206	-	10 206	10 206	-	10 206
	25 243	-	25 243	10 206	15 041	25 247
Financial liabilities not measured at fair value						
Secured bank loans	-	(5 059)	(5 059)	-	(5 214)	(5 214)
Unsecured bank loans	-	(5 762)	(5 762)	-	(5 355)	(5 355)
Unsecured bond issues	-	(7 233)	(7 233)	(7 494)	-	(7 494)
Trade and other payables	-	(8 208)	(8 208)	-	(7 977)	(7 977)
	-	(26 262)	(26 262)	(7 494)	(18 546)	(26 040)

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 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 of 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 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 2017 the receivables of one customer was equal to RUB 1 728 million or 10% of the Group's consolidated trade and other receivables (31 December 2016: RUB 996 million or 8%).

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Guarantees

As at 30 June 2017 the Group had not provided any financial guarantees to entities outside the Group (31 December 2016: nil).

(iii) Exposure to credit risk

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

mln RUB	<u>30 June 2017</u>	<u>31 December 2016</u>
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	16 893	15 037
Bank deposits (over 3 months)	173	-
Cash and cash equivalents	9 392	10 206
	<u>26 458</u>	<u>25 243</u>

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”.

Impairment losses

The ageing of trade receivables at the reporting date was:

mln RUB	Gross	Impairment	Gross	Impairment
	<u>30 June 2017</u>		<u>31 December 2016</u>	
Not past due	13 286	-	10 137	-
Past due 0-30 days	336	-	1 219	-
Past due 31-120 days	273	-	341	-
Past due more than 120 days	1 031	(559)	1 018	(392)
	<u>14 926</u>	<u>(559)</u>	<u>12 715</u>	<u>(392)</u>

The ageing of loans given at the reporting date was:

mln RUB	Gross	Impairment	Gross	Impairment
	<u>30 June 2017</u>		<u>31 December 2016</u>	
Not past due	121	-	112	-
Past due 0-30 days	-	-	72	(72)
Past due 31-120 days	-	-	338	(38)
Past due more than 120 days	137	(137)	27	(27)
	<u>258</u>	<u>(137)</u>	<u>549</u>	<u>(137)</u>

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

mln RUB	<u>30 June 2017</u>	<u>31 December 2016</u>
Balance at 1 January	392	372
Increase during the period	196	102
Decrease due to reversal	<u>(29)</u>	<u>(82)</u>
Balance at 30 June	<u>559</u>	<u>392</u>

The movement in the allowance for impairment in respect of advances paid to suppliers and other receivables during the period was as follows:

mln RUB	<u>6 months 2017</u>	<u>6 months 2016</u>
Balance at 1 January	185	216
Increase during the period	187	124
Decrease due to reversal	<u>(44)</u>	<u>(123)</u>
Balance at 30 June	<u>328</u>	<u>217</u>

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

mln RUB	<u>6 months 2017</u>	<u>6 months 2016</u>
Balance at 1 January	137	-
Increase during the period	-	-
Decrease due to reversal	<u>-</u>	<u>-</u>
Balance at 30 June	<u>137</u>	<u>-</u>

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 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 2017											
mIn RUB	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs		
Non-derivative financial liabilities											
Secured bank loans	5 278	6 594	2 172	269	1 711	1 792	509	141	-		
Unsecured bank loans	7 615	9 489	916	867	2 666	3 150	1 682	208	-		
Unsecured bond issues	6 130	7 945	1 477	294	1 141	2 623	2 410	-	-		
Trade and other payables (excluding taxes payable and advances from customers)	12 671	13 615	7 907	1 685	1 583	1 283	1 035	119	3		
	31 694	37 643	12 472	3 115	7 101	8 848	5 636	468	3		
31 December 2016											
	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs		
Non-derivative financial liabilities											
Secured bank loans	5 059	6 099	1 487	1 704	1 702	667	443	96	-		
Unsecured bank loans	5 762	7 441	505	849	1 737	2 680	1 398	272	-		
Unsecured bond issues	7 233	9 507	1 542	1 498	592	2 187	2 491	1 197	-		
Trade and other payables (excluding taxes payable and advances from customers)	8 208	8 213	6 752	613	569	274	1	1	3		
	26 262	31 260	10 286	4 664	4 600	5 808	4 333	1 566	3		

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 the Group's net positions in foreign currency were as follows:

mln RUB	USD-	EUR-	USD-	EUR-
	denominated	denominated	denominated	denominated
	30 June 2017		31 December 2016	
Cash and cash equivalents (see note 20)	265	57	516	52
Net exposure	265	57	516	52

The following significant exchange rates applied during the period:

in RUB	Average rate		Reporting date spot rate	
	Six month ended	Six month ended	30 June 2017	31 December 2016
	30 June 2017	30 June 2016		
USD 1	57,84	70,26	59,09	60,66
EUR 1	62,69	78,37	67,50	63,81

(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 2017	31 December 2016
Fixed rate instruments		
Financial assets	16 271	16 514
Financial liabilities	(17 699)	(18 104)
	(1 428)	(1 590)
Variable rate instruments		
Financial liabilities	(1 351)	-
	(1 351)	-

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	<u>30 June 2017</u>	<u>31 December 2016</u>
Total borrowings	19 024	18 054
Less: cash and cash equivalents	(9 392)	(10 206)
Less: bank deposits over 3 months, notes 19	<u>(173)</u>	<u>-</u>
Net debt	<u>9 459</u>	<u>7 848</u>
Total equity	<u>58 866</u>	<u>58 150</u>
Debt to capital ratio at end of period	<u>0,16</u>	<u>0,135</u>

Finance lease liabilities RUB 26 million at 30 June 2017 (RUB 50 million at 31 December 2016) are included in trade and other payables (see note 25) and are not included in the total amount of borrowings.

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

mln RUB	<u>30 June 2017</u>	<u>31 December 2016</u>
Less than one year	452	428
Between one and five years	1 203	1 598
More than five years	<u>258</u>	<u>701</u>
	<u>1 913</u>	<u>2 727</u>

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

Lease payments for land plots occupied by residential and commercial premises under construction are capitalised into the cost of those premises.

The leases typically run for the years of construction of premises. After these properties are constructed and sold, lease rentals are paid by the owners of those properties. Lease payments are usually increased annually to reflect market rentals.

During the six months ended 30 June 2017 the amount of RUB 14 million (six months ended 30 June 2016: RUB 16 million) was recognised as an expense in the consolidated interim statement of profit or loss and other comprehensive income in respect of operating leases, while RUB 90 million

(six months ended 30 June 2016: RUB 12 million) were capitalised into the cost of residential and commercial premises under construction.

28 Capital commitments

As at 30 June 2017 the Group has no capital commitments (31 December 2016: nil).

29 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 period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no 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 financial statements.

c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

30 Related party transactions

a) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the period, which is included in personnel costs (see note 10):

mln RUB	Six months ended 30 June	
	2017	2016
Salaries and bonuses	119	265
	<u>119</u>	<u>265</u>

(ii) Other transactions

Sales to key management personnel are disclosed below:

mln RUB	Transaction value		Outstanding balance	
	Six months ended 30 June		30 June	31 December
	2017	2016	2017	2016
Sale of apartments and premises	-	107	(2)	(144)
	<u>-</u>	<u>107</u>	<u>(2)</u>	<u>(144)</u>

b) Transactions with other related parties

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

(i) Revenue

mln RUB	Transaction value		Outstanding balance	
	Six months ended 30 June		30 June	31 December
	2017	2016	2017	2016
Other related parties	25	23	9	(14)
	<u>25</u>	<u>23</u>	<u>9</u>	<u>(14)</u>

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

(ii) Expenses

mln RUB	Transaction value		Outstanding balance	
	Six months ended 30 June		30 June	31 December
	2017	2016	2017	2016
Other related parties	72	68	(3)	(30)
	<u>72</u>	<u>68</u>	<u>(3)</u>	<u>(30)</u>

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

31 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	30 June 2017	31 December 2016
JSC "GK Etalon"	Russian Federation	100,00%	100,00%
LLC "EtalonAktiv"	Russian Federation	100,00%	100,00%
JSC "TSUN LenSpetsSMU"	Russian Federation	100,00%	100,00%
JSC "Etalon LenSpetsSMU" (JSC "SSMO LenSpetsSMU" before 18 April 2017)	Russian Federation	100,00%	100,00%
JSC "Novator"	Russian Federation	100,00%	100,00%
JSC "LenSpetsSMU-Rekonstruktsiya"	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%

As at 30 June 2017 the Group controlled 139 legal entities (31 December 2016: 138). 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.

32 Events subsequent to the reporting date

a) Dividends

On 27 July 2017, the Annual General Meeting of Shareholders approved a final dividend for the year ended 31 December 2016 of USD 0.107 per share (or RUB 1 873 million in total as of the date of the announcement), payable on 23 August 2017 to shareholders on record as of 4 August 2017. On 23 August 2017, dividends were paid.

b) Financing events

Subsequent to the reporting date the Group has repaid loans and borrowings outstanding as at 30 June 2017 for the total amount of RUB 3 437 million. Subsequent to the reporting date the Group has obtained an additional tranche of a loan for the total amount of RUB 1 095 million with the interest rate of 10% (repayable at 2021), additional tranche of a loan for the total amount of RUB 279 million with the interest rate of 14% (repayable at 2020), additional tranche of a loan for the total amount of RUB 495 million with the interest rate of 13% (repayable at 2021) and additional tranche of a loan for the total amount of RUB 374 million with the interest rate of CBR's key rate + 2,8% (repayable at 2020).

On 15 September 2017, the Group's subsidiary JSC "Etalon LenSpetsSMU" placed exchange-traded bonds for the amount of RUB 5 billion with a five-year term and a coupon rate of 8,95%.