

**ETALON GROUP PLC**

**FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**Etalon Group PLC**

ETALON GROUP PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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## **Etalon Group PLC**

### **BOARD OF DIRECTORS AND OTHER OFFICERS**

Board of Directors	Sergey Egorov (appointed on 19 February 2019) Oleg Mubarakshin (appointed on 19 February 2019) Marina Ogloblina (appointed on 19 February 2019) Ganna Khomenko (appointed on 19 February 2019) Viacheslav Adamovich Zarenkov (resigned on 19 February 2019) Alexey Kalinin (resigned on 29 March 2019) Martin Robert Cocker Boris Svetlichny Kirill Bagachenko (resigned on 20 February 2020) Dmitry Viacheslavovich Zarenkov (resigned on 19 February 2019) Charalampos Avgousti Maksim Berlovich Denis Vinokurov Anton Shatov (resigned on 19 February 2019) Olga Shevchuk (resigned on 19 February 2019)
Secretary	G.T. Globaltrust Services Limited Themistokli Dervi, 15 Margarita House, 5 <sup>th</sup> floor, flat/office 502 1066 Nicosia Cyprus
Registered Office	2-4 Arch. Makariou III Avenue Capital Center, 9th floor 1065 Nicosia Cyprus
Independent auditors	Deloitte Limited Certified Public Accountants and Registered Auditors 24 Spyrou Kyprianou Avenue CY 1075 Nicosia Cyprus

## **Etalon Group PLC**

### **MANAGEMENT REPORT**

The Board of Directors presents its report together with the audited financial statements of Etalon Group PLC (the “Company”) for the year ended 31 December 2019.

#### **Country of incorporation**

Etalon Group PLC was registered in the Republic of Cyprus on 5 April 2017. Its registered office is 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus.

In April 2011, the Company completed an initial public offering and placed its ordinary shares in the form of global depository receipts (“GDR”) on the London Stock Exchange’s Main Market. In 2017 the Company was re-domiciled from Guernsey to Cyprus.

#### **Principal activities**

The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of financing to related parties.

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113.

#### **Changes in group structure**

On 19 February 2019, the Company’s subsidiary JSC “GK Etalon” acquired 51% of the share capital and voting rights of JSC “Leader-Invest” for a cash consideration of RUB 15.185 million. JSC “Leader-Invest” is a Moscow-based residential developer focusing on projects in the comfort, business and premium-class segments with a total net sellable area (NSA) of 1.3 million square meters.

On 19 February 2019, Sistema PJSFC acquired 25% of the Company’s issued share capital (in the form of GDRs) from a major shareholder, making Sistema PJSFC the largest shareholder of the Company.

On 16 August 2019, the Company’s subsidiary JSC “GK Etalon” acquired the remaining 49% of the share capital and voting rights of JSC “Leader-Invest”.

#### **Review of developments, position and performance of the Company’s business**

The profit of the Company for the year ended 31 December 2019 was Russian Ruble (‘RUB’)’000 2.266.908 (2018: profit of RUB’000 4.442.362). The main source of profit for the period is the dividend income from subsidiaries in the amount of RUB’000 1.647.653 (2018: RUB’000 2.822.961).

On 31 December 2019, the total assets of the Company were RUB’000 69.145.867 (31 December 2018: RUB’000 70.634.175) and the net assets were RUB’000 68.578.137 (31 December 2018: RUB’000 69.888.615). Investment in subsidiaries was RUB’000 60.311.656 (31 December 2018: RUB’000 59.122.033).

The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

More details are set out on pages 14 and 15 (statement of financial position and statement of profit or loss and other comprehensive income).

#### **Dividends**

As at 31 December 2019, the retained earnings were RUB’000 36.506.258 (31 December 2018: RUB’000 37.816.736). During the year ended 31 December 2019, Annual General Meeting of shareholders approved the Board of Directors recommendation for dividends of RUB’000 3.577.386 (31 December 2018: RUB’000 3.260.357).

## **Etalon Group PLC**

### **MANAGEMENT REPORT (CONTINUED)**

#### **Research and development activities**

The Company did not carry out any research and development activities during the year.

#### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the Company are disclosed in Note 3 of the financial statements.

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

#### **Use of financial instruments by the Company**

The Company's activities expose it to a variety of financial risks: market risk, currency risk, credit risk and liquidity risk.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board provides principles for overall risk management, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The detailed analysis of the Company's exposure to financial risks as at the reporting date and the measures taken by the Management in order to mitigate those risks are disclosed in Note 3 of the financial statements.

#### **Future developments of the Company**

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

#### **Share capital**

During the year ended 31 December 2019, there were no changes to the share capital of the Company.

#### **Acquisition of own shares**

As of 31 December 2019 and 31 December 2018 the total number of own shares acquired by the Company amounted to 3,946 shares or 0,001% of issued share capital.

#### **Board of Directors**

The members of the Board of Directors of the Company at 31 December 2019 and at the date of this report are shown on page 1. The details of all appointment and resignations of Directors are shown on page 1.

## **Etalon Group PLC**

### **MANAGEMENT REPORT (CONTINUED)**

#### **Events that occurred after the reporting period**

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

In addition, starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have had a significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on the business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantining of personnel, reduced demand and difficulties in raising financing. In addition, the Company and its subsidiaries (the “Group”) may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the impact of COVID-19 on the Group’s business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy.

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

#### **Recommendation regarding the distribution of profits**

In recent years, the Company aimed to pay out in the form of dividends between 40% and 70% of its consolidated net profit adjusted for non-cash items, if warranted.

On 24 January 2020, the Board of Directors of the Company proposed to supplement the dividend policy by setting a minimal amount of dividend of at least RUB 12 per share/GDR, whilst keeping the same range for dividend payments of 40%–70% of net profit. At the same time, the Board of Directors retains the right to refrain from recommending dividend payments if the Company’s EBITDA/interest expense ratio falls below 1.5x. The updated dividend policy will apply to Etalon Group’s results starting with the year 2019.

On 20 July 2020, the Board of Directors recommended that the Company pay a final dividend for FY 2019 in the amount of RUB 12 per share. The decision was not yet approved by Annual General Meeting of shareholders.

#### **Branches**

The Company did not operate through any branches during the year ended 31 December 2019.

#### **Independent auditors**

On 19 December 2019, an extraordinary general meeting of the Company passed a resolution to dismiss KPMG Limited from the position of auditor of the Company and to appoint Deloitte Limited in its place to hold office until the conclusion of the next annual general meeting and to authorise the Board of Directors to fix the auditor’s remuneration.

## **Etalon Group PLC**

### **MANAGEMENT REPORT (CONTINUED)**

#### **CORPORATE GOVERNANCE REPORT**

##### **Company's internal control and risk management in relation to the preparation of the financial statements**

The main documents regulating the activities of the Company are the Cyprus Companies Law, Cap. 113, the UKLA Listing, Prospectus and Disclosure and Transparency Rules, together with the Memorandum and Articles of Association of the Company. The Company has also enacted a number of governance policies and procedures to ensure that a proper system of corporate governance is in place, such as the Management Policy and Committee terms of reference.

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

In preparing the financial statements, the Board of Directors is responsible for making an assessment of the Company's ability to continue as a going concern, taking into account all available information about the future and for disclosing any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Those charged with governance are responsible for implementation of internal control necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and in particular for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Audit Committee is responsible for monitoring the financial reporting process and the integrity of the Company's financial statements. It is also responsible for reviewing internal controls, overseeing how management monitors compliance with the Company's risk management policies and procedures, the effectiveness of the Company's Internal Audit function and the independence, objectivity and the effectiveness of the external audit process. The Audit Committee is also responsible for considering the terms of appointment and remuneration of the external auditor.

The Company believes that its financial reporting functions and internal control systems are sufficient to ensure the compliance with the requirements of the FSA's Disclosure and Transparency Rules as a listed company and with the requirement of Cyprus Companies Law, Cap. 113.

##### **Significant direct or indirect shareholdings**

As at 31 December 2019, the Company is aware of the following interests in its share capital:

<b>Shareholders</b>	<b>%</b>
Free float	62,7%
Sistema PJSFC	23,7%
Zarenkov family	5,7%
Baring Vostok Funds	5,7%
Management of the Company	2,2%
<b>Total</b>	<b>100%</b>

##### **The holders of any shares with special control rights and a description of these rights**

The Company does not have any shares with special control rights.

**Etalon Group PLC**

**MANAGEMENT REPORT (CONTINUED)**

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**Restrictions in exercising of voting rights of shares**

The 20,000 preference shares having the par value of GBP 1 each issued by the Company, bear no voting rights. The Company does not have any other restrictions in exercising of the voting rights of its shares.

**The rules regarding the appointment and replacement of board members**

The Company may by ordinary resolution appoint any person as a director and may by ordinary resolution of which special notice has been given, in accordance with sections 178 and 136 of the Cyprus Companies Law, cap. 113 (the Law), remove a director. Any such director will receive special notice of the meeting and is entitled to be heard at the meeting. Any director has to confirm in writing that he is eligible under the Law.

A director may resign from office as a director by giving notice in writing to that effect to the Company, which notice shall be effective upon such date as may be specified in the notice. The directors have the power from time to time, without sanction of the Company in general meeting, to appoint any person to be a director, either to fill a casual vacancy or as an additional director. Any director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

The office of a director shall be vacated if:

- (a) he becomes of unsound mind or an order is made by a court having jurisdiction (whether in Cyprus or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator or other person to exercise powers with respect to his property or affairs; or
- (b) he is prohibited from acting as director in accordance with section 180 of the Law; or
- (c) becomes bankrupt or makes any arrangement or composition with his creditors generally or otherwise has any judgment executed on any of his assets; or
- (d) he dies; or
- (e) he resigns his office by written notice to the Company; or
- (f) the Company removes him from his position in accordance with section 178 of the Law.

**The rules regarding the amendment of the articles of association**

Subject to the provisions of the Law, the Company may, by special resolution, alter or add to its articles of association. Any alteration or addition shall be as valid as if originally contained therein, and be subject in like manner to alteration by special resolution.

By order of the Board of Directors,  
Charalampos Avgousti  
Director

Nicosia, 31 July 2020














## Etalon Group PLC

### Responsibility statement of the Directors and management of the Company in accordance with the Transparency Requirements (Securities Admitted to Trading) Law of 2007

We, the members of the Board of Directors and the Company officials responsible for the drafting of the financial statements of ETALON GROUP PLC (the 'Company'), the names of which are listed below, in accordance with the requirements of the Section 9 of the Transparency Requirements (Security Admitted to Trading) Law 190(I)/2007 (hereinafter the "Transparency Law"), as amended, confirm that we have complied with the requirements in preparing the financial statement and that to the best of our knowledge:

- (a) The annual financial statements for year ended 31 December 2019:
- (i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in accordance with the provisions of section 9(4) of the Transparency Law and in accordance with Cyprus Companies Law, Cap.113;
  - (ii) Give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent Company included in the financial account, and
- (b) The Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company face. The management report provides a fair overview on information required as per Section 9(6)(a) of the Transparency Law.

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

## Independent Auditor's Report

### To the Members of Etalon Group PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of parent company Etalon Group PLC (the "Company"), which are presented in pages 14 to 41 and comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

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

#### Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditor's Report (continued)

### To the Members of Etalon Group PLC

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**Why the matter was determined to be a key audit matter**

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**How the matter was addressed in the audit**

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**Fair value of investments in subsidiaries**

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As at 31 December 2019, the carrying value of the Company's investments in subsidiaries is RUB'000 60.311.656 which represented 87% of the total assets of the Company.

The Company's accounting policy for investments in subsidiaries, disclosed in Note 2, is to measure them at fair value through profit or loss.

Determination of fair value of investments in subsidiaries is a key audit matter given the significance of the balance and the significant degree of judgement involving estimations associated with the fair value assessment.

Our audit procedures included amongst others:

- we have reviewed the report by independent valuer on which the valuation was based
- evaluating, with the assistance of internal experts, the appropriateness of the methodology and the reasonableness of the assumptions underlying the estimation of fair value of investments in subsidiaries as at 31 December 2019;
- we assessed the competence, capabilities and objectivity of management's third party valuer, as well as independence;
- evaluating the appropriateness of management's assumptions used in calculating the fair value of investments in subsidiaries including:
  - assessing the appropriateness of the discount rate used;
  - reviewing, recalculating and critically assessing the reasonableness of the assumptions including:
    - prices of sales in residential projects considering historical sales;
    - budgeted costs to complete construction;
    - total area available for sale and actual sales occurring before 31 December 2019
- assessing completeness and accuracy of cash flows from financing activities through review of existing portfolio of loans and borrowings
- assessing whether the disclosure in the financial statements in respect of the fair value accounting of investments in subsidiaries is in compliance with IFRS requirements.

All the above procedures were completed in a satisfactory manner.

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## Independent Auditor's Report (continued)

### To the Members of Etalon Group PLC

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#### Recoverability of loans receivable

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.At 31 December 2019, the Company had loans receivable from related parties amounting to RUB'000 8.451.946, which represented 12% of the total assets of the Company.

The Company's accounting policy for loans receivable is disclosed in Note 2.

The recoverability of the loans receivable and the estimation of expected credit losses ("ECL") is a key audit matter due to the significance of the balances and the significant degree of judgement involving estimations associated with the ECLs assessment.

Our audit procedures included amongst others:

- assessing the appropriateness of the methodology applied for estimation of expected credit losses for loans receivables;
- testing the completeness and accuracy of the data used in the calculation of ECLs, through reconciliation to the source systems and testing inputs;
- assessing mathematical accuracy of the model used for calculation of ECLs;
- identification and measurement the individually assessed provisions,
- assessing whether the disclosure in the financial statements in respect of the ECL is in compliance with IFRS requirements.

All the above procedures were completed in a satisfactory manner.

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#### Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Responsibility Statement of the Directors and Management of the Company, which are presented in pages 2 to 6, but does not include the financial statements and our auditor's report thereon.

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

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

#### Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Independent Auditor's Report (continued)

### To the Members of Etalon Group PLC

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

## **Independent Auditor's Report (continued)**

### **To the Members of Etalon Group PLC**

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report.

### **Report on Other Legal and Regulatory Requirements**

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

### **Appointment of the Auditor and Period of Engagement**

We were first appointed as auditors of the Company on 19 December 2019 by an Extraordinary Meeting of shareholders.

### **Consistency of the Additional Report to the Audit Committee**

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 July 2020 in accordance with Article 11 of the EU Regulation 537/2014.

### **Provision of Non-audit Services**

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

### **Other Legal Requirements**

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

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

## Independent Auditor's Report (continued)

### To the Members of Etalon Group PLC

- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

### Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We also have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019.

The financial statements of Etalon Group PLC for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 April 2019.

The engagement partner on the audit resulting in this independent auditor's report is Kerry Whyte.

  
Kerry Whyte

Certified Public Accountant and Registered Auditor  
for and on behalf of

**Deloitte Limited**  
**Certified Public Accountants and Registered Auditors**

**Nicosia, 31 July 2020**

**Etalon Group PLC**

**STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2019**

		31 December 2019	31 December 2018
		RUB'000	RUB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	10	60,311,656	59,122,033
Loans receivable	11	8,451,946	8,713,630
<b>Total non-current assets</b>		<u><b>68,763,602</b></u>	<u><b>67,835,663</b></u>
<b>Current assets</b>			
Loans receivable	11	-	2,149,549
Other receivables and prepayments	12	300,922	547,767
Cash and cash equivalents	13	81,343	101,196
<b>Total current assets</b>		<u><b>382,265</b></u>	<u><b>2,798,512</b></u>
<b>Total assets</b>		<u><b>69,145,867</b></u>	<u><b>70,634,175</b></u>
<b>Equity</b>			
Share capital	14	2,266	2,266
Share premium	14	15,486,109	15,486,109
Reserve for own shares	14	(694)	(694)
Capital contribution	14	16,584,198	16,584,198
Retained earnings		36,506,258	37,816,736
<b>Total equity</b>		<u><b>68,578,137</b></u>	<u><b>69,888,615</b></u>
<b>Current liabilities</b>			
Other payables and accruals	15	25,251	159,872
Borrowings	16	542,479	585,688
<b>Total current liabilities</b>		<u><b>567,730</b></u>	<u><b>745,560</b></u>
<b>Total equity and liabilities</b>		<u><b>69,145,867</b></u>	<u><b>70,634,175</b></u>

On 31 July 2020, the Board of Directors of Etalon Group PLC authorized these financial statements for issue.

.....  
Charalampos Avgousti

Director

.....  
Sergey Egorov

Director

The notes on pages 17 to 41 are an integral part of these financial statements.



**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**For the year ended 31 December 2019**

	Note	2019 RUB'000	2018 RUB'000
Change in fair value of investments in subsidiaries	10	1.189.623	2.822.961
Interest income		424.174	459.484
Interest expenses	17(vi)	(21.416)	(8.359)
Dividend income from subsidiaries	17(vii)	1.647.653	-
Reversal of impairment/(impairment) on trade, other receivables and loans	17(iii), (iv)	77.438	(20.559)
Loss from write-off of loans and receivables		-	(21.257)
Administrative expenses	5	(189.619)	(327.011)
Other expenses		(8.204)	(57.572)
Other income	6	241	8.083
<b>Operating profit before net finance (expenses)/income</b>		<b>3.119.890</b>	<b>2.855.770</b>
Finance income		67.388	1.964.727
Finance expenses		(919.032)	(378.135)
<b>Net finance (expenses)/income</b>	7	<b>(851.644)</b>	<b>1.586.592</b>
<b>Profit before tax</b>		<b>2.268.246</b>	<b>4.442.362</b>
Income tax expense	9	(1.338)	-
<b>Profit for the year</b>		<b>2.266.908</b>	<b>4.442.362</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>2.266.908</b>	<b>4.442.362</b>

The notes on pages 17 to 41 are an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 31 December 2019**

	Share capital RUB'000	Share premium RUB'000	Capital contribution RUB'000	Reserve for own shares RUB'000	Share options reserve RUB'000	Retained earnings RUB'000	Total RUB'000
<b>Balance at 1 January 2018</b>	2.266	15.486.109	16.584.198	(1.188.952)	221.882	37.448.893	68.554.396
Adjustment from adoption of IFRS 9 (Note 2(e))	-	-	-	-	-	(213.424)	(213.424)
<b>Adjusted balance at 1 January 2019</b>	2.266	15.486.109	16.584.198	(1.188.952)	221.882	37.235.469	68.340.972
<b>Profit for the year</b>							
Profit for the year	-	-	-	-	-	4.442.362	4.442.362
<b>Total comprehensive income for the year</b>	-	-	-	-	-	4.442.362	4.442.362
<b>Transactions with owners</b>							
Share- based payment arrangements (Note 8)	-	-	-	1.668.211	(221.882)	(600.738)	845.591
Acquisition of own shares (Note 14)	-	-	-	(479.953)	-	-	(479.953)
Dividends paid	-	-	-	-	-	(3.260.357)	(3.260.357)
Total transactions with owners	-	-	-	1.188.258	(221.882)	(3.861.095)	(2.894.719)
<b>Balance at 31 December 2018</b>	2.266	15.486.109	16.584.198	(694)	-	37.816.736	69.888.615
<b>Balance at 1 January 2019</b>	2.266	15.486.109	16.584.198	(694)	-	37.816.736	69.888.615
<b>Profit for the year</b>							
Profit for the year	-	-	-	-	-	2.266.908	2.266.908
<b>Total comprehensive income for the year</b>	-	-	-	-	-	2.266.908	2.266.908
<b>Transactions with owners</b>							
Dividends paid	-	-	-	-	-	(3.577.386)	(3.577.386)
Total transactions with owners	-	-	-	-	-	(3.577.386)	(3.577.386)
<b>Balance at 31 December 2019</b>	2.266	15.486.109	16.584.198	(694)	-	36.506.258	68.578.137

The notes on pages 17 to 41 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2019**

	Note	2019 RUB'000	2018 RUB'000
<b>Cash flows from operating activities</b>			
Profit for the year before tax		2.266.908	4.442.362
<i>Adjustments for:</i>			
Change in fair value of investments in subsidiaries	10	(1.189.623)	(2.822.961)
Reversal of impairment/(impairment) on trade, other receivables and loans	17(iii), (iv)	(77.438)	20.559
Loss from write-off of loans and receivables	5	1.785	21.257
Reversal of prior year over accrual	5	(114.823)	-
Dividend income from subsidiaries	17(vii)	(1.647.653)	-
Interest income on bank deposits		(95)	(4.369)
Interest income on loans issued	17(iii)	(424.079)	(455.115)
Interest expenses	17 (vi)	21.416	8.359
Foreign exchange losses/(gains), net		851.338	(1.586.954)
<b>Cash flows used in operations before changes in working capital</b>		<b>(312.264)</b>	<b>(376.862)</b>
Change in other receivables and prepayments		359.462	(138.533)
Change in other payables and accruals		(16.941)	77.700
<b>Net cash from /(used in) operating activities</b>		<b>30.257</b>	<b>(437.695)</b>
<b>Cash flows from investing activities</b>			
Repayment of loans by subsidiaries	17(iii)	1.287.255	1.125.456
Repayment of interest on loans by subsidiaries	17(iii)	853.327	102.462
Payment of loans to subsidiaries	17(iii)	-	(409.098)
Dividends received from subsidiaries	17(vii)	1.511.762	-
<b>Net cash from investing activities</b>		<b>3.652.344</b>	<b>818.820</b>
<b>Cash flows from financing activities</b>			
Acquisition of own shares		-	(651.121)
Dividends paid		(3.577.386)	(3.566.787)
Borrowings received from related parties	17(vi)	-	555.616
<b>Net cash used in financing activities</b>		<b>(3.577.386)</b>	<b>(3.662.292)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>105.215</b>	<b>(3.281.167)</b>
Cash and cash equivalents at beginning of year		101.196	2.979.330
Effects of exchange rate changes on cash and cash equivalents		(125.068)	403.033
Cash and cash equivalents at end of year	13	81.343	101.196

The notes on pages 17 to 41 are an integral part of these financial statements.

## **Etalon Group PLC**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **1. GENERAL INFORMATION**

##### **Country of incorporation**

Etalon Group PLC (the “Company”) was incorporated on 8 November 2007 in Bailiwick of Guernsey as a limited liability company under the Companies (Guernsey) Law. Its registered office was St. Julian’s Avenue, Redwood House, St. Peter Port, Guernsey, GY1 1WA, the Channel Islands.

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.

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

On 27 July 2017, the shareholders at the Annual General Meeting 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.

##### **Principal activity**

The principal activity of the Company, which remained unchanged from the prior year, is the holding of investments and provision of financing services to related companies.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.

##### **Basis of preparation**

###### **(a) Statement of compliance**

These financial statements have been prepared in accordance with IFRS as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company has also prepared consolidated financial statements in accordance with IFRS as adopted by EU and Cyprus Companies Law, Cap. 113 for the Company and its subsidiaries (the “Group”). The consolidated financial statements can be obtained from the registered office of the Company at 2-4 Arch. Makariou III Avenue, Capital Center, 9<sup>th</sup> floor, 1065 Nicosia, Cyprus and the Company’s website.

Users of these separate financial statements should be read together with the Group’s consolidated financial statements as at and for the year ended 31 December 2019 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

###### **(b) Basis of measurement**

The financial statements have been prepared under the historic cost conversion except for investments in subsidiaries that are measured at fair value. The preparation of financial statements in conformity with IFRS-EUs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

###### **(c) Going concern**

Management prepared these financial statements on a going concern basis. In making this judgement management considered the developments discussed in Note 18.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign currency translation**

**(i) Functional and presentation currency**

The financial statements are presented in Russian Rubles (RUB), which is the Company's functional and presentation currency.

All financial information has been rounded to the nearest thousand, except when otherwise indicated.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

**Adoption of new and revised IFRS-EUs**

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Company.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- IFRS 16 – Leases;
- IFRIC 23 – Uncertainty over Income Tax Treatments;
- Prepayment Features with Negative Compensation - Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28;
- Employee Benefits Plan Amendment, Curtailment or Settlement – Amendments to IAS 19;
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.

**New Standards and Interpretations**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted.

The Company has not early adopted these new or amended standards in preparing these financial statements and has not yet analysed the likely impact of the new standards and interpretations on its financial position or performance.

- Amendments to IAS 1 and IAS 8 – Definition of Material;
- Amendments to IFRS 3 – Definition of a Business;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform;
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 17 - Insurance Contracts;
- Amendments to references to Conceptual Framework for Financial Reporting;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018);
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets (all issued on 14 May 2020);
- Annual Improvements 2018-2020 (issued on 14 May 2020).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments**

**(i) Financial assets**

The Company's financial assets, classified at amortised cost category as defined by IFRS 9, comprise of loans receivable, other receivables and cash and cash equivalents.

The Company 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 Company is recognised as a separate asset or liability.

**Classification and measurement of financial assets**

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see "Impairment of financial assets" below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Impairment of financial assets**

The impairment model under IFRS 9 - an "expected credit loss" (ECL) model - applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

The Company assesses on a forward-looking basis the ECL for debt instruments measured at amortised cost.

The financial assets at amortised cost consist of loans receivable, other receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month expected credit losses: these are expected credit losses that result from possible default events within the 12 months after the reporting date, and
- lifetime expected credit losses: these are expected credit losses that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

*(i) Financial assets (continued)*

**Impairment of financial assets (continued)**

The Company considers a financial asset to be in default when:

- there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

***Measurement of Expected credit losses***

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

***Presentation of impairment***

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss.

**Investments in subsidiaries**

Subsidiaries are all the entities (including structured entities) over which the Company has control. The Company controls an entity when the Company 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.

As at 31 December 2018 considering the fact that the Company financial statements are publically available and can be used by investors for their economic decisions, the management has decided that measurement of investments in subsidiaries at fair value would provide more reliable and more relevant information about the Company's financial position than the measurement of investments at cost. Therefore the Company management decided to change the accounting policy and from 2018 financial statements started to measure investments in its subsidiaries at fair value in accordance with IFRS 9.

Investments in subsidiary companies are classified as investments at fair value through profit or loss and are measured at fair value. Gains or losses on investments in subsidiary companies are recognised in profit or loss.

**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 are held to collect the contractual cash flows, and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are classified at amortised cost in accordance with IFRS 9.

The company assessed individual impairment based on discounted cash flows attributed to certain loans amount.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

*(i) Financial assets (continued)*

**Loans and receivables (continued)**

For others loans and receivables the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining maturity of financial instruments. The Company determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

**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 Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. In accordance with IFRS 9, cash and cash equivalents are classified at amortised cost.

*(ii) Financial liabilities*

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

At initial recognition, the Company measures a financial liability at its fair value plus transaction costs that are directly attributable to the issuance of the financial liability. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its obligations specified in the contracts are discharged or cancelled or expire.

The Company recognises financial assets or financial liabilities in its statement of financial position when it becomes party to the contractual provisions of the instrument and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

**Other payables and accruals**

Other payables and accruals represent amounts outstanding at the reporting date and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

**Tax**

Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country in which the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes a provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Share capital**

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. The capital contribution reserve relates to the fair value of the shares issued to the shareholders in exchange for investment in subsidiary (Note 14).

The preference 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. 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.

**Share-based payment arrangements**

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase of share options reserve in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. For share based-payment awards with vesting market conditions, which creates variability in the number of equity instruments that will be received by employees, the Company determines the grant-date fair value of the right to receive a variable number of equity instruments reflecting the probability of different outcomes.

**Interest income**

Interest income includes loan interest income which is recognised in the statement of profit or loss on an accrual basis using the effective interest rate method.

**Interest expenses**

Interest expenses include interest expense on amounts payable to related parties which is recognised in the statement of profit or loss on an accrual basis using the effective interest rate method.

**Dividend income**

Dividend income is recognised in the statement of profit or loss and other comprehensive income when the right to receive payment is established.

**Finance income**

Finance income includes foreign exchange gains, which are recognised in the statement of profit or loss and other comprehensive income as incurred.

**Finance expenses**

Finance expenses include foreign exchange losses and bank charges, which are recognised in the statement of profit or loss and other comprehensive income as incurred and on an accrual basis, respectively.

**3. FINANCIAL RISK MANAGEMENT AND TAX RISK**

**Financial risk factors**

The Company's activities expose it to credit risk, liquidity risk, market price risk and currency risk, arising from the financial instruments it holds. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

**3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)**

**Financial risk factors (continued)**

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect in market conditions and the Company's activities.

• **Credit risk**

Credit risk arises when a failure by counter parties to discharge their obligation could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

Credit risk arises from cash and cash equivalents as well as credit exposures to outstanding receivables and committed transactions.

Credit risk with regards to cash and cash equivalents is managed by placing funds primarily in the banks with high credit-ratings assigned by international credit-rating agencies.

In order to minimise credit risk of other receivables, the Company has a policy of dealing with creditworthy counterparties, obtaining sufficient collateral, where appropriate, and monitoring on a continuous basis the ageing profile of its receivables as a means of mitigating the risk of financial loss from defaults.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

In particular, the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- future cash flows from construction projects are compared to the current value of the financial asset;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower/counterparty;
- significant increases in credit risk on other financial instruments of the same borrower/counterparty;
- significant changes in the value of the collateral supporting the obligation;
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

The Company's current credit risk grading framework comprises the following categories and the assumptions underpinning the Company's expected credit loss model:

<b>Category</b>	<b>Description</b>	<b>Basis for recognising expected credit losses</b>
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

**3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)****Financial risk factors (continued)**

- **Credit risk (continued)**

The carrying amount of financial assets represents the maximum credit exposure.

The tables below detail the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by category of financial assets:

31.12.2019	Note	12-month/ lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Loans receivable	11	Lifetime ECL	12,198,255	(3,746,309)	8,451,946
Other receivables	12	Lifetime ECL	301,614	(692)	300,922
Cash and cash equivalents	13	12-month	81,343	-	81,343

31.12.2018	Note	12-month/ lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Loans receivable	11	Lifetime ECL	15,120,806	(4,257,627)	10,863,179
Other receivables	12	Lifetime ECL	549,952	(2,338)	547,614
Cash and cash equivalents	13	12-month	101,196	-	101,196

**Allowance for impairment in respect of loans given**

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

	2019 RUB'000	2018 RUB'000
<b>Balance at 1 January</b>	<b>(4,257,627)</b>	(3,356,921)
Adjustment on initial application of IFRS 9	-	(210,552)
<b>Balance at 1 January per IFRS 9</b>	<b>(4,257,627)</b>	(3,567,473)
Change of impairment for the period	75,792	(21,093)
FOREX	435,526	(669,061)
<b>Balance at 31 December</b>	<b>(3,746,309)</b>	(4,257,627)

- **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company'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 Company's reputation.

The Company's management monitors its liquidity on a continuous basis and acts accordingly. Each year the Company prepares a cash flow budget to forecast possible liquidity deficits and to define the sources of financing of those deficits.

**3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)**

**Financial risk factors (continued)**

• **Liquidity risk (continued)**

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amounts RUB'000	Contractual cash flows RUB'000	Between 0-12 months RUB'000
<b>31 December 2019</b>			
<b>Borrowings</b>	<b>542.479</b>	<b>563.047</b>	<b>563.047</b>
<b>Other payables and accruals</b>	<b>25.251</b>	<b>25.251</b>	<b>25.251</b>
	<b><u>567.730</u></b>	<b><u>588.298</u></b>	<b><u>588.298</u></b>
	Carrying amounts RUB'000	Contractual cash flows RUB'000	Between 0-12 months RUB'000
<b>31 December 2018</b>			
Borrowings	585.688	601.076	601.076
Other payables and accruals	159.872	159.872	159.872
	<u>745.560</u>	<u>760.948</u>	<u>760.948</u>

• **Market price risk**

Market risk is the risk that changes in market prices, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

*Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Loans receivable and borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

• **Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollars (US\$) and Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

**3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)**

**Financial risk factors (continued)**

• **Currency risk (continued)**

	<b>31 December 2019 RUB'000</b>	31 December 2018 RUB'000
<b>Assets</b>		
<b>US Dollar</b>		
Cash and cash equivalents	76.586	40.286
Loans receivable	5.572.412	8.092.279
Other receivables	132.441	258.674
<b>Total</b>	<b><u>5.781.439</u></b>	<b><u>8.391.239</u></b>
<b>Euro</b>		
Cash and cash equivalents	1.030	3.109
Other receivables	188.132	180.140
<b>Total</b>	<b><u>189.162</u></b>	<b><u>183.249</u></b>
<b>Liabilities</b>		
<b>US Dollar</b>		
Other payables and accruals	(236.732)	(183)
Borrowings	(542.479)	(585.688)
<b>Total</b>	<b><u>(779.211)</u></b>	<b><u>(585.871)</u></b>
<b>Euro</b>		
Other payables and accruals	(8.747)	(153.180)
<b>Total</b>	<b><u>(8.747)</u></b>	<b><u>(153.180)</u></b>
<b>Net position</b>		
<b>US Dollar</b>	<b><u>5.002.228</u></b>	<b><u>7.805.368</u></b>
<b>Euro</b>	<b><u>180.415</u></b>	<b><u>30.069</u></b>

The following significant exchange rates applied during the year:

in RUB	Average rate		Reporting date spot rate	
	2019	2018	31 December 2019	31 December 2018
USD 1	64,73	62,71	61,90	69,47
EUR 1	72,50	73,95	69,34	79,46

**3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)**

**Financial risk factors (continued)**

• **Currency risk (continued)**

**Sensitivity analysis**

A 10% strengthening of the US\$ against the RUB at 31 December 2019 and 31 December 2018 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the US\$ against the RUB, there would be an equal and opposite impact on profit and equity.

	<b>Equity 2019 RUB'000</b>	<b>Profit or Loss 2019 RUB'000</b>
US Dollar	<u><b>500.223</b></u>	<u><b>500.223</b></u>
	Equity 2018 RUB'000	Profit or Loss 2018 RUB'000
US Dollar	<u><b>780.537</b></u>	<u><b>780.537</b></u>

A 10% strengthening of the Euro against the RUB at 31 December 2019 and 31 December 2018 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the RUB, there would be an equal and opposite impact on profit and equity.

	<b>Equity 2019 RUB'000</b>	<b>Profit or Loss 2019 RUB'000</b>
Euro	<u><b>18.042</b></u>	<u><b>18.042</b></u>
	Equity 2018 RUB'000	Profit or loss 2018 RUB'000
Euro	<u><b>3.007</b></u>	<u><b>3.007</b></u>

A 10% strengthening of the GB Pound against the RUB at 31 December 2019 and 31 December 2018 would not have any material effect on equity and profit or loss.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

- **Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Estimation of expected credit losses**

Expected credit losses are an estimate weighted by the probability of credit losses. Credit losses are measured as the present value of all expected cash losses. The amount of expected credit losses is discounted using the effective interest rate on the relevant financial asset.

The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

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

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The other assumptions and methods used for estimating of expected credit losses are disclosed in note 2 ("Impairment of financial assets", "Loans and receivables") and note 3 ("Credit risk").

- **Fair value of investments in subsidiaries**

The fair value of investments in subsidiaries recorded in the statement of financial position cannot be derived from active markets, and they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates and assumptions were made, and a degree of judgment has been applied in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of investments in subsidiaries. The assumptions and methods used for estimating the fair value of investments in subsidiaries are disclosed in Note 10.

- **Functional currency**

The Management of the Company has considered which currency is the currency of the primary economic environment in which the Company operates. In making this assessment, Management has used judgment to determine the functional currency that most faithfully represents the underlying transactions, events and conditions of the Company. Management has concluded that the functional currency of the Company is the RUB because the Company is seen as an extension of its subsidiaries operating in the Russian Federation.

**5. ADMINISTRATIVE EXPENSES**

	<b>2019</b>	2018
	<b>RUB'000</b>	RUB'000
Legal, consulting and other professional services	<b>180.893</b>	32.723
Staff costs (Note 17(i))	<b>51.138</b>	212.781
Reversal of prior year over accrual	<b>(114.823)</b>	-
Auditors' remuneration	<b>27.486</b>	35.941
Payroll tax	<b>19.738</b>	25.174
Insurance expenses	<b>13.426</b>	8.440
Accounting and administration expenses	<b>8.371</b>	10.100
Social insurance contribution	<b>827</b>	939
Secretarial fees	<b>778</b>	913
Other expenses	<b>1.785</b>	-
<b>Total</b>	<b><u>189.619</u></b>	<u>327.011</u>

Reversal of prior year accrual include the amounts of staff costs, that were over-accrued in the previous year. In 2019, the excessive accruals were written off, since the obligations to certain directors no longer existed.

Remuneration of the statutory auditor firm for the year ended 31 December 2019 amounted to RUB 5.9 million for audit services (2018: RUB 9.1 million) and RUB 3 million for other assurance services (2018: RUB 2.1 million).

**6. OTHER INCOME**

	<b>2019</b>	2018
	<b>RUB'000</b>	RUB'000
		restated
Other income	<b>241</b>	8.083
<b>Total</b>	<b><u>241</u></b>	<u>8.083</u>

**7. NET FINANCE (EXPENSES)/INCOME**

	<b>2019</b>	2018
	<b>RUB'000</b>	RUB'000
Foreign exchange gains	<b>67.388</b>	1.964.727
<b>Finance income</b>	<b><u>67.388</u></b>	<u>1.964.727</u>
Foreign exchange losses	<b>(918.726)</b>	(377.773)
Bank charges	<b>(306)</b>	(362)
<b>Finance expenses</b>	<b><u>(919.032)</u></b>	<u>(378.135)</u>
<b>Net finance (expenses)/income</b>	<b><u>(851.644)</u></b>	<u>1.586.592</u>



**8. SHARE-BASED PAYMENT ARRANGEMENTS**

**Share option programme (equity-settled)**

On 1 July 2017, the Company granted share options to certain members of top management of the Company and its subsidiaries as part of a management long-term incentive plan. Each option entitles the holder to a predetermined number of the Company's GDRs based on an increase in the market price of the GDRs in the respective calculating period of each year of the vesting schedule over the maximum market price of the GDRs in the previous years of the vesting schedule. The vesting schedule commences from 1 July 2017 and lasts until 31 December 2021.

The fair value of the share options was estimated at the grant date by an independent appraiser using a Monte Carlo simulation, assuming that all participants will remain within the Company's subsidiaries.

The following key assumptions were used by the appraiser:

- Monthly volatility – 7,6%;
- Annual yield rate – 2,3%;
- Risk-free interest rate (USD) – 2,3% per annum.

Expected volatility was determined based on the historical volatility of the Company's GDRs during 2017.

In 2018, the Company modified the formula for market performance condition. The incremental fair value granted as a result of the modification, as estimated at the grant date by an independent appraiser using a Monte Carlo simulation, amounted to RUB 323 million. The following key assumptions were used by the appraiser:

- Volatility – 14,88%;
- Annual yield rate – (2,2) %;
- Discount rate – 2,56%;
- Risk-free interest rate (USD) - 2,56% per annum;
- Dividend yield – 4,76%.

Expected volatility was determined based on the historical volatility of the Company's GDRs for the period from April 14, 2011 to June 08, 2018. Dividend yield was the average actual dividend yield of the Company's shares for the period 2014 – 2017.

As a result of the modification, the Company distributed to the participants of the incentive plan the 2 258 536 GDRs. In May 2018, the incentive plan was terminated for 2 participants of the incentive plan.

In April 2018, the company granted awards in the form of 403 896 GDRs for the Company's ordinary shares under the Company's management incentive plan to the senior management team of the Company and its subsidiaries. The fair value of the equity instruments granted as measured on the basis of the observable market price for the Company's shares at the grant date, amounted to RUB 71 million.

In June 2018, the Company replaced the share option programme dated 1 July 2017 with another share based payment with a grant date of 8 June 2018. There were no vesting conditions in the replacement share based payment. The lock up period is 7 years, during which the participants are not entitled to sell, transfer or otherwise dispose any respective GDRs received from the Company, unless such sale, transfer or disposal have been approved by the Company.

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

In respect of the share based payment granted in June, 5 550 000 GDRs were transferred to the participants of the incentive plan in June 2018. The fair value at the measurement date, as estimated by an independent appraiser, amounted to RUB 543 million. The fair value was measured using Chaffe put option model based on the following inputs to the model:

**8. SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)**

**Share option programme (equity-settled) (continued)**

- Dividend yield – 4,76%;
- Risk-free rate – 2,95% (yield to maturity of US Treasury bonds with a 10-year maturity);
- Volatility – 50,79%;
- Actual and strike price – 2,78 USD;
- Validity period of the sales restriction - 7 years.

Expected volatility was determined based on the historical volatility of the Company’s GDRs for the period from April 14, 2011 to June 08, 2018. Dividend yield was the average actual dividend yield of Company’s shares for the period 2014 - 2017.

The fair value of the original program with a modified formula at the modification date amounted to RUB 266 million. The fair value was estimated by an independent appraiser applying a Monte Carlo simulation, with the following inputs to that model:

- Volatility – 14,66%;
- Annual yield rate – (1,98) %;
- Discount rate – 2,78%;
- Risk-free interest rate (USD) - 2,78% per annum;
- Dividend yield – 4,76%.

Expected volatility was determined based on the historical monthly volatility of the Company’s GDRs for the period from April 14, 2011 to June 08, 2018. Dividend yield was the average actual dividend yield of Company’s shares for the period 2014 – 2017.

**9. INCOME TAX EXPENSE**

The tax on the Company’s profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	<b>2019</b>	2018
	<b>RUB’000</b>	RUB’000
Profit before tax	<b>2.268.246</b>	4.442.362
Tax calculated at the applicable tax rate of 12,5% (2018: tax rate of 12,5%)	<b>283.531</b>	555.295
Tax effect of expenses not deductible and income not taxable for income tax purposes, net	<b>(236.777)</b>	(508.581)
Tax withheld on dividends from Russian Federation	<b>1.338</b>	-
Notional Interest Deduction (NID)	<b>(40.592)</b>	(37.371)
Application of group relief	<b>(6.162)</b>	(9.343)
Tax for the period	<b><u>1.338</u></b>	<u>-</u>

**10. INVESTMENTS IN SUBSIDIARIES**

	<b>2019</b>	2018
	<b>RUB'000</b>	RUB'000
At beginning of year 01 January	<b>59.122.033</b>	55.734.380
Change in fair value of investments in subsidiaries	<b>1.189.623</b>	2.822.961
Set-off investments due to shares buy-back	-	(280.899)
Share-based payments arrangements with top-management of subsidiaries (Note 8)	-	845.591
At end of year 31 December	<b><u>60.311.656</u></b>	<u>59.122.033</u>

The Company's main subsidiaries, which are unlisted, are as follows:

Name	Principal Activity	Country of incorporation	31 December 2019	31 December 2018
Etalon Group Limited	Holding of investments	Cyprus	99,99%	99,99%
Elzinga Holdings Limited	Holding of investments	Cyprus	100%	100%
Fagestrom Limited	Provision of financing services	Cyprus	100%	100%
JSC GK Etalon	Holding of investments	Russia	1%	1%

The investments are measured at fair value.

As at 31 December 2019 and 31 December 2018 the Company holds 1% in JSC GK Etalon, but the Company is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power over other subsidiaries owning remaining 99% in the subsidiary.

The fair value of investments in subsidiaries at 31 December 2019 and 31 December 2018 was assessed by an independent appraiser. The fair value hierarchy of investments in subsidiaries belongs to Level 3 as a fair value measurement uses unobservable inputs that require significant adjustment.

To determine the fair value of investments in subsidiaries, the independent appraiser projected cash flows from development projects and objects completely constructed and owned by the respective subsidiaries. These cash flows were adjusted by the fair value of other assets and liabilities controlled by those subsidiaries, and minority interest, where applicable and discounted at an-applicable, risk-adjusted rate.

The key assumptions used in the estimation of the fair value of subsidiaries are set out below.

	<u>31 December 2019</u>	31 December 2018
CAPM (discount rate)	19,00%	17,93%

The values assigned to the key assumptions represented management's assessment of future trends in residential development and were based on historical data from both external and internal sources.

The cash flows projections included specific estimates for 8 years.

As a result of this assessment, the Company has recognized an increase in the fair value of investments in subsidiaries in the amount of RUB'000 1.189.623 for the year ended 31 December 2019 (31 December 2018: increase of RUB'000 2.822.961).

**10. INVESTMENTS IN SUBSIDIARIES (CONTINUED)****Sensitivity analysis**

The following tables demonstrate changes in key inputs and sensitivity of fair value measurement:

	31 December 2019		
	Change of parameter	Impact on fair value	In monetary terms, RUB'000
Growth of discount rate	1%	(1,77%)	(1.069.408)
Growth of cost of construction projects	5%	(10,92%)	(6.584.595)
Reducing of revenue from construction projects	(5%)	(14,93%)	(9.004.814)
Growth of expenses on non-developer types of activities	5%	(5,72%)	(3.451.783)

	31 December 2018		
	Change of parameter	Impact on fair value	In monetary terms, RUB'000
Growth of discount rate	1%	(2,23%)	(1.318.433)
Growth of cost of construction projects	5%	(2,49%)	(1.472.975)
Reducing of revenue from construction projects	(5%)	(4,80%)	(2.837.901)
Growth of expenses on non-developer types of activities	5%	(11,94%)	(7.250.765)

**11. LOANS RECEIVABLE**

	31 December 2019 RUB'000	31 December 2018 RUB'000
<b>Non-current</b>		
Loans to related parties (Note 17(iii))	8.451.946	8.713.630
<b>Total non-current loans receivable</b>	<b>8.451.946</b>	<b>8.713.630</b>
<b>Current</b>		
Loans to related parties (Note 17(iii))	-	2.149.549
<b>Total current loans receivable</b>	<b>-</b>	<b>2.149.549</b>
<b>Total loans receivable</b>	<b>8.451.946</b>	<b>10.863.179</b>

Due to the significant devaluation of the RUB against the US\$ subsequent to the issuance of US\$-denominated loans, the Company concluded that there is an objective evidence that an impairment loss on loans has been incurred.

The Company assessed individual impairment based on discounted cash flows attributed for part of its loans through their recoverable amount.

The recoverable amount of loans was determined based on the present value of the expected cash flows to be received from the loans, discounted at the original effective interest rate of 3,5%, and a provision in the amount of RUB'000 3.683.671 was recognised as at 31 December 2019 (31 December 2018: RUB'000 4.186.004).

For others loans, the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining terms to maturity. The Company determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets. The Board of Directors believes carrying values of loans approximate its fair value. The fair value hierarchy of loans receivable belongs to Level 3.

**12. OTHER RECEIVABLES AND PREPAYMENTS**

	<b>31 December 2019 RUB'000</b>	31 December 2018 RUB'000
Receivable from related parties (Note 17(iv))	<b>300.922</b>	547.614
Prepayments	<u>-</u>	<u>153</u>
	<b><u>300.922</u></b>	<b><u>547.767</u></b>

The fair values of other receivables and prepayments approximate their carrying amounts.

For receivables, the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining maturity of the financial instruments. The Company determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

**13. CASH AND CASH EQUIVALENTS**

	<b>31 December 2019 RUB'000</b>	31 December 2018 RUB'000
Cash at bank	<b><u>81.343</u></b>	<b><u>101.196</u></b>

**14. SHARE CAPITAL AND SHARE PREMIUM**

	Number of ordinary shares	Number of redeemable preference shares	Share capital RUB'000	Reserve for own shares RUB'000	Share premium RUB'000	Total RUB'000
<b>At 1 January 2018</b>	289.469.593	20.000	2.266	(1.188.952)	15.486.109	14.299.423
Acquisition of own shares	8.212.432	-	-	1.668.211	-	1.668.211
Redeemable preference shares	<u>(2.728.000)</u>	<u>-</u>	<u>-</u>	<u>(479.953)</u>	<u>-</u>	<u>(479.953)</u>
<b>At 31 December 2018 and 31 December 2019</b>	<b><u>294.954.025</u></b>	<b><u>20.000</u></b>	<b><u>2.266</u></b>	<b><u>(694)</u></b>	<b><u>15.486.109</u></b>	<b><u>15.487.681</u></b>

At 1 January 2018, 31 December 2018 and at 31 December 2019, the authorized share capital of the Company was GBP 14.748 divided into 294.957.971 ordinary shares having a par value of GBP £0,00005 each. All issued ordinary shares are fully paid. The holders of ordinary shares are entitled to receive dividends and to one vote per share at meetings of the Company.

**14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)**

During the year ended 31 December 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 is at the discretion of the Company and not the holders of the shares, the preference shares are classified as equity.

During the year ended 31 December 2018, the Company signed an agreement for the set-off of a loan given to its subsidiary, Etalon Development Limited. Under the agreement, Etalon Development Limited transferred 2,728,000 global depository receipts for the ordinary shares of the Company to the Company as a means of repayment of the loan due to the Company and accrued interest in the total amount RUB'000 199.056 and a capital contribution to the subsidiary in the amount of RUB'000 280.899.

**(i) Own shares**

During the year ended 31 December 2018, the Company transferred 8,212,432 shares to certain members of key management personnel of its subsidiaries as part of their remuneration.

As of 31 December 2019, the total number of own shares acquired by the Company amounted to 3,946 shares or 0,001% of issued share capital.

**(ii) Share premium**

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

**(iii) Share options reserve**

The share options reserve is used to recognise the value of equity-settled share-based payments provided to certain members of the Company's subsidiaries' key management personnel, as part of their remuneration.

**(iv) Dividends**

As at 31 December 2019, the retained earnings were RUB'000 36,506,258 (31 December 2018: RUB'000 37,816,736). During the year ended 31 December 2019, the AGM of shareholders approved Board of Directors recommendation for dividends in the amount of RUB' 000 3,577,386 (31 December 2018: RUB'000 3,260,357).

**(v) Capital contribution**

Capital contribution represents the excess of the deemed cost of shares in its subsidiary, Etalon Group Limited, transferred to the Company by its shareholder in 2008, over the book value of these shares as at the date of transaction. Deemed cost was determined at the date of transfer by reference to the terms of a transaction with an unrelated party for the acquisition of a minority stake in the Company which took place close to the date of issuance of shares by the Company.

**15. OTHER PAYABLES AND ACCRUALS**

	<b>31 December 2019 RUB'000</b>	31 December 2018 RUB'000
Remuneration payable to Board of Directors	11.579	134.694
Accrued audit fees	11.714	21.600
Other payables and accruals	1.105	2.600
Accrued accounting and administration expenses	853	978
	<u>25.251</u>	<u>159.872</u>

The fair value of other payables and accruals which are due within one year approximates to their carrying amount at the reporting date.

**16. BORROWINGS**

	<b>31 December 2019 RUB'000</b>	31 December 2018 RUB'000
<b>Current</b>		
Borrowings to related parties (Note 17(vi))	<u>542.479</u>	<u>585.688</u>
<b>Total current borrowings</b>	<u>542.479</u>	<u>585.688</u>

On 14 August 2018, the Company signed a loan agreement with a related party for a total amount of US\$10.000.000. The loan bears interest of 4% per annum and is repayable by 31 December 2020.

The Board of Directors believes carrying values of loans approximate its fair value. The fair value hierarchy of loans belongs to Level 3.

**17. RELATED PARTY TRANSACTIONS**

The following transactions were carried out with related parties:

**(i) Directors' remuneration**

	<b>2019 RUB'000</b>	2018 RUB'000
Directors' remuneration (Note 5)	51.138	212.781
Payroll and social tax (Note 5)	20.565	26.113
	<u>71.703</u>	<u>238.894</u>

As at 31 December 2019, outstanding balances of remuneration payable to the Board of Directors was RUB'000 11.579 (Note 15) (31 December 2018: RUB'000 134.694).

**17. RELATED PARTY TRANSACTIONS (CONTINUED)**

**(ii) Year-end balances**

	<b>31 December 2019 RUB'000</b>	31 December 2018 RUB'000
Receivables from subsidiary companies (Note 12)	<u>300.922</u>	<u>547.614</u>
Borrowings from subsidiary company (Note 16)	<u>(542.479)</u>	<u>(585.688)</u>
Loans due from subsidiary companies (Note 11)	<u>8.451.946</u>	<u>10.863.179</u>

**(iii) Loans due from subsidiary companies**

	<b>2019 RUB'000</b>	2018 RUB'000
On 1 January	<b>10.863.179</b>	10.165.045
Adjustment from adoption of IFRS 9, net of tax	-	(210.552)
Adjusted balance at 1 January	<b>10.863.179</b>	9.954.493
Loans issued during the year	-	409.098
Loans repaid during the year	<b>(1.287.255)</b>	(1.125.456)
Set off of settlement agreement	-	(199.056)
Interest charged	<b>424.079</b>	455.115
Interest repaid during the year	<b>(853.327)</b>	(102.462)
Impairment for loans receivable	<b>75.792</b>	(21.093)
Foreign exchange (losses)/gains	<u><b>(770.522)</b></u>	<u>1.492.540</u>
On 31 December	<u><b>8.451.946</b></u>	<u>10.863.179</u>

During 2018, the Company issued a loan to a related party in the amount of US\$7.300.000 (RUB'000 409.098). The loan is denominated in US Dollars and bears interest at 3.5% per annum.

As at 31 December 2019, the loans amounted to RUB'000 8.451.946 (31 December 2018: RUB'000 10.863.179) were denominated in US Dollars and Russian rubles and bear interest 3,5-6 % per annum. During 2019, the loans were prolonged from 31 December 2019 to 31 December 2021 and 31 December 2025. Modification of loans maturity dates had no material impact on the fair value of the loans.

Loans amounting to RUB'000 8.451.946 were classified as non-current as at 31 December 2019, based on management's intention to collect them in 2021-2025, when development projects, for which these loans were issued, are scheduled to be completed.



**17. RELATED PARTY TRANSACTIONS (CONTINUED)**

**(iv) Receivables from subsidiary companies**

	<b>2019</b>	2018
	<b>RUB'000</b>	RUB'000
On 1 January	<b>547.614</b>	363.547
Adjustment from adoption of IFRS 9, net of tax	-	(2.872)
Adjusted balance at 1 January	<b>547.614</b>	360.675
Transfers of funds under reimbursement agreements	<b>(356.785)</b>	149.138
Set-off agreements payables and receivables	-	(11.496)
Write-off of receivables	<b>(2.987)</b>	(21.257)
Reversal of impairment for receivables	<b>1.646</b>	534
Dividends receivables (Note 17(vii))	<b>132.379</b>	-
Foreign exchange (losses)/gains	<b>(20.945)</b>	70.020
On 31 December (Note 12)	<b><u>300.922</u></b>	<u>547.614</u>

**(v) Payables to subsidiary companies**

	<b>2019</b>	2018
	<b>RUB'000</b>	RUB'000
On 1 January	-	18.896
Other changes	-	(1.104)
Set-off agreements payables and receivables	-	(11.496)
Write-off payables with subsidiary company	-	(8.083)
Foreign exchange losses	-	1.787
On 31 December (Note 15)	<b><u>-</u></b>	<u>-</u>

**(vi) Borrowings from subsidiary company**

	<b>2019</b>	2018
	<b>RUB'000</b>	RUB'000
On 1 January	<b>585.688</b>	-
Borrowings received during the year	-	555.616
Interest accrued	<b>21.416</b>	8.359
Foreign exchange (gains)/losses	<b>(64.625)</b>	21.713
On 31 December (Note 16)	<b><u>542.479</u></b>	<u>585.688</u>

**17. RELATED PARTY TRANSACTIONS (CONTINUED)**

**(vii) Dividend income from subsidiary companies**

	<b>2019</b>	2018
	<b>RUB'000</b>	RUB'000
On 1 January	-	-
Dividends declared by subsidiaries	<b>1.647.653</b>	-
Income tax withheld on dividends (Note 9)	<b>(1.338)</b>	-
Dividends received by subsidiaries	<b>(1.511.762)</b>	-
Foreign exchange (gains)/losses	<b>(2.174)</b>	-
On 31 December (Note 17(iv))	<b><u>132.379</u></b>	<b><u>-</u></b>

**18. EVENTS AFTER THE REPORTING PERIOD**

**GDR buyback programme**

On 24 January 2020, the Board of Directors of the Company authorised a buyback programme that started in the first quarter of 2020, aiming to purchase up to 10% of the Company's issued capital in the form of Global Depository Receipts ("GDR"). The program is subject to approval by a forthcoming annual general meeting of shareholders.

On 15 April 2020, the Extraordinary General Meeting authorized the Board of Directors of the Company to acquire the GDRs within twelve months from the date of the EGM resolution (15 April 2020) until 14 April 2021 subject to compliance with the terms set out below and the provisions of sections 57A to 57F of the Companies Law Cap. 113 ("the Law"):

- the maximum number of the GDRs (with each GDR representing 1 ordinary share of the Company) that may be acquired and held by or on behalf of the Company shall not exceed 10% of the subscribed capital of the Company;
- the duration of the period for which GDRs bought back may be held by the Company may not exceed two years;
- the minimum price for acquiring the GDRs shall be GBP £0.00005 per GDR (or the U.S. dollar or Rouble equivalent at the time of the purchase);
- the maximum price for acquiring the GDRs shall not exceed by more than 5% the average market price for acquiring the GDRs of the Company during the last five stock exchange sessions (on the London Stock Exchange or the Moscow Exchange) immediately preceding the day on which the GDRs are acquired;
- the monetary consideration payable by the Company in respect of the acquisition of GDRs is to be paid out of the realized and non-distributed profits of the Company; and
- the acquisition of GDRs (including those previously acquired and held by or on behalf of the Company) shall not have the effect of reducing the net assets of the Company below the amount of the subscribed capital plus those reserves which may not be distributed under the Law or the articles of association in accordance with section 169A of the Law.

**18. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)**

**Operating Environment**

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

In addition, starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have had a significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on the business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantining of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the impact of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and the Russian economy.

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

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements of the Company for the year ended 31 December 2019.