

# **Etalon Group PLC**

## **Consolidated Financial Statements**

**For the year ended 31 December 2019**

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## **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)  
Martin Robert Cocker (appointed on 12 November 2010)  
Boris Svetlichny (appointed on 15 April 2013)  
Charalampos Avgousti (appointed on 10 November 2016)  
Maksim Berlovich (appointed on 27 April 2018)  
Denis Vinokurov (appointed on 9 November 2018)  
Kirill Bagachenko (appointed on 15 November 2013 and resigned on 20 February 2020)  
Viacheslav Adamovich Zarenkov (appointed on 8 November 2007 and resigned on 19 February 2019)  
Dmitry Viacheslavovich Zarenkov (appointed on 29 July 2016 and resigned on 19 February 2019)  
Olga Shevchuk (appointed on 9 November 2018 and resigned on 19 February 2019)  
Anton Shatov (appointed on 9 November 2018 and resigned on 19 February 2019)  
Alexey Kalinin (appointed on 12 November 2010 and resigned on 29 March 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  
1075, Nicosia  
Cyprus

## **CONSOLIDATED MANAGEMENT REPORT**

The Board of Directors of Etalon Group PLC (the “Company”) presents to the members its Consolidated Management Report together with the audited Consolidated Financial Statements of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2019. The Group’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

### **Review of the development and performance of the Group’s business and its position**

The results of the Group for the year ended 31 December 2019 are set out on page 20 of the consolidated financial statements.

As described in note 2(e)(ii), effective from 1 January 2019, the Group changed its accounting policy with respect to capitalisation of borrowing costs and significant financing component. Therefore, comparative periods have been restated.

On 19 February 2019, the Group acquired 51% of the share capital of JSC “Leader-Invest”, whose income and expenses from the date of acquisition until the reporting date have been included into these consolidated financial statements. On 16 August 2019, the Group acquired the remaining 49% share in JSC “Leader-Invest”.

#### **(a) Revenue**

The Group’s total revenue for the year ended 31 December 2019 amounted to RUB 84 330 million as compared to RUB 72 327 million for the year ended 31 December 2018, recording an increase of RUB 12 003 million or 17%.

Revenue of the reportable segment “Residential development” increased by RUB 15 412 million or 27%, due to an increase in the revenues recognised from the sales of flats by RUB 9 042 million or 17%, an increase in the revenues recognised from the sales of parking places by RUB 3 673 million or 264%, and an increase in the revenues recognised from the sale of built-in commercial premises by RUB 2 697 million or 85%.

JSC “Leader-Invest” contributed RUB 10 875 million to the revenues of the reportable segment “Residential development”, including RUB 10 000 million in the revenues recognised from the sales of flats, RUB 549 million in the revenues recognised from the sales of parking places and RUB 326 million in the revenues recognised from the sale of built-in commercial premises.

External revenues of the reportable segment “Construction services” decreased by RUB 2 701 million or 32% mainly due to the completion during the year ended 31 December 2018 of a project for the construction of a metro depot in St. Petersburg.

External revenues of the reportable segment “Other” decreased by RUB 708 million or 12% due to a decrease in the sales of construction materials by RUB 926 million or 26%, a decrease in the sale of stand-alone commercial premises by RUB 42 million or 100%, offset by an increase in rental revenue by RUB 242 million or 39%, and increase in other revenue related to servicing of premises by RUB 18 million or 1%.

JSC “Leader-Invest” contributed RUB 323 million to the revenues of the reportable segment “Other”, mainly representing rental revenue.

## CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

### (b) Gross profit

Gross profit for the year ended 31 December 2019 amounted to RUB 20 057 million as compared to RUB 17 055 million for the year ended 31 December 2018 (as restated), recording an increase of RUB 3 002 million or 18%, which was mainly driven by the increase in gross profit of the reportable segment “Residential development” by RUB 3 683 million or 23%. JSC “Leader-Invest” contributed RUB 1 406 million to gross profit for the year ended 31 December 2019.

### (c) Results from operating activities

Profit from operating activities during the year ended 31 December 2019 amounted to RUB 6 484 million as compared to RUB 3 204 million for the year ended 31 December 2018 (as restated) recording an increase of RUB 3 280 million or 102%.

During the year ended 31 December 2019, general and administrative expenses increased by RUB 358 million or 5%, selling expenses increased by RUB 1 504 million or 45%, other expenses, net decreased by RUB 1 087 million or 39%, as compared to the year ended 31 December 2018.

### (d) General and administrative expenses

The increase in general and administrative expenses was mainly caused by consolidation of JSC “Leader-Invest” that contributed RUB 1 403 million to the Group’s general and administrative expenses, including RUB 1 011 million in payroll and related taxes and other taxes and RUB 186 million in audit and consulting services. Excluding JSC “Leader-Invest”, during the year ended 31 December 2019, payroll and related taxes decreased by RUB 271 million or 6%.

### (e) Selling expenses

Growth in selling expenses was mainly caused by the consolidation of JSC “Leader-Invest” that contributed RUB 980 million to the Group’s selling expenses. The remaining increase of RUB 524 million was driven by the increase in payroll and related taxes expenses by RUB 162 million or 24%, an increase in advertising expenses and agency fees by RUB 179 million or 9% and an increase in state registration and insurance expenses related to share participation agreements by RUB 153 million or 21%.

### (d) Other expenses, net

During the year ended 31 December 2019, other expenses, net, decreased by RUB 1 087 million or 39% mainly due to a decrease in 2019 of costs of social infrastructure for completed projects by RUB 1 469 million or 92%, a decrease in charity expenses of RUB 381 million or 93%, offset by an increase in impairment loss on inventories of RUB 837 million or 186%, and an increase in fees and penalties incurred by RUB 78 million.

(e) Gain from bargain purchase of RUB 729 million resulted from the acquisition of JSC “Leader-Invest”.

### (f) Net finance costs

Net finance costs for the year ended 31 December 2019 increased by RUB 1 932 million or 69% as compared to the year ended 31 December 2018.

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

Finance income increased by RUB 707 million or 31% mainly due to an increase in interest income on cash and cash equivalents and bank deposits by RUB 1 042 million or 93%, offset by a decrease in the amount credited to the income statement in respect of the unwinding of the discount on trade receivables of RUB 271 million or 28% and a foreign exchange gain of RUB 64 million recognised during the year ended 31 December 2018.

Finance costs increased by RUB 2 639 million or 52% due to an increase in borrowing costs and financing component under IFRS 15 by RUB 2 073 million or 42% which was in line with the increase in borrowings used to finance the acquisition of JSC “Leader-Invest”, an increase in interest expense on leases by RUB 233 million as a result of the adoption of the new accounting standard IFRS 16 “Leases”, an increase in the amount debited to the income statement in respect of the unwinding of the discount on other payables of RUB 171 million and a foreign exchange loss of RUB 172 million, offset by a decrease in impairment loss on advances paid to suppliers by RUB 16 million or 14%.

Net finance costs of JSC “Leader-Invest” contributed RUB 938 million to the overall increase.

### **(g) Income tax expense**

Income tax expense for the year ended 31 December 2019 amounted to RUB 1 585 million as compared to an income tax expense of RUB 1 123 million during the year ended 31 December 2018 (as restated).

### **(h) Profit for the year**

The profit for the year ended 31 December 2019 amounted to RUB 186 million, as compared to a loss of RUB 700 million for the year ended 31 December 2018 (as restated).

### **(i) Adjusted net debt/adjusted EBITDA ratio**

As described in note 23 and in the Supplementary Information section, certain bank loans are subject to restrictive covenants which are calculated based on the consolidated financial statements of the Group. The loans used to finance the acquisition of JSC “Leader Invest” require the Group to maintain adjusted net debt/adjusted EBITDA ratio below 4. The current structure of the Group’s adjusted net debt, being negative (specified assets exceed borrowings), secures the Group’s solid over-performance of the ratio, currently being minus 2,77.

## **Principal risks and uncertainties**

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

## **Changes during the year relating to the nature of the operations and the classes of business in which Company has an interest**

On 19 February 2019, the Group’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.

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

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 Group.

On 16 August 2019, the Group's subsidiary JSC "GK Etalon" acquired the remaining 49% of the share capital and voting rights of JSC "Leader-Invest".

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

### **Future developments of the Group**

The Board of Directors expects continued growth in the Group's operations and market share in all markets in which it operates and the stable financial position and financial performance of the Group.

### **Activities related to research and development**

The Group has not undertaken any activities in the field of research and development during the year ended 31 December 2019.

### **Branches**

The Group operated through branches in Moscow and Saint Petersburg and 15 representative (sales) offices across the Russian Federation during the year ended 31 December 2019. The Company did not operate through any branches other than in Moscow and Saint Petersburg.

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

The classes of financial instruments used by the Group, the Group's financial risk management objectives and policies as well as the Group's exposure to credit risk, liquidity risk and market risk are disclosed in the note 26 of the consolidated financial statements.

### **Dividends**

On 28 April 2019, the Board of Directors recommended a final dividend of USD 0.19 per share for the year ended 31 December 2018. The final dividend for the total amount of RUB 3 577 million was approved by the Annual General Meeting of shareholders on 2 August 2019, and the dividends were paid on 17 September 2019. The Group also paid dividends to the non-controlling interest of JSC "Leader-Invest" in the amount of RUB 13 million.

### **Changes in the Company's share capital**

There were no changes in the Company's share capital during 2019.

### **Changes in the composition, allocation of responsibilities or compensation of the Board of Directors**

The changes in the composition and allocation of responsibilities of the Board of Directors during 2019 are disclosed in the Board of Directors and other Officers section of these consolidated financial statements. The changes in the compensation of certain members of the Board of Directors are disclosed in note 10 to these consolidated financial statements.

## **CONSOLIDATED 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 has 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, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the impact of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy.

The 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.

### **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.

The Board will consider the payment of a final dividend for the year ended 31 December 2019 at its meeting to be held subsequent to the date of this report.

### **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 the Group 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.



## **CONSOLIDATED 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, such as the Management Policy and Committee terms of reference, to ensure that a proper system of corporate governance is in place.

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

In preparing the consolidated financial statements, the Board of Directors is responsible for making an assessment of the Group's and 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 Group's and the Company's ability to continue as a going concern.

Those charged with governance are responsible for the 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 Group's risk management policies and procedures, the effectiveness of the Group'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.

Each of the subsidiaries of the Group keeps accounting records for statutory purposes. The preparation of consolidated IFRS financial statements involves the transformation of the statutory accounting records into IFRS and the consolidation of financial statements. The Group continues the process of implementing of a single Group-wide information system featuring automated consolidation of the accounts that will strengthen internal control and risk management in relation to the preparation of the consolidated financial statements.

The Group believes that its financial reporting functions and internal control systems are sufficient to ensure 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.

## CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

### CORPORATE GOVERNANCE REPORT (CONTINUED)

#### Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings)

The share capital of the Company is GBP 34 748 divided into 294 957 971 ordinary Shares having the par value of GBP £0.00005 each and 20 000 preference shares having the par value of GBP 1 each. 193 747 322 ordinary shares (65,7%) are deposited for the issuance of Global Depository Receipts (GDRs) pursuant to the Deposit Agreement between the Company and the Bank of New York Mellon. The GDRs represent one ordinary share each and are listed and traded on the Main Market of the London Stock Exchange. Starting from 3 February 2020, the Company's GDRs started trading on Moscow Stock Exchange.

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

Shareholders	%
Free float	62,7%
Sistema PJSFC	23,7%
Baring Vostok Funds	5,7%
Zarenkov family	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.

#### Restrictions in exercising of voting rights of shares

The 20 000 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 the director:

(a) 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 their detention or for the appointment of a receiver, curator or other person to exercise powers with respect to their property or affairs; or

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

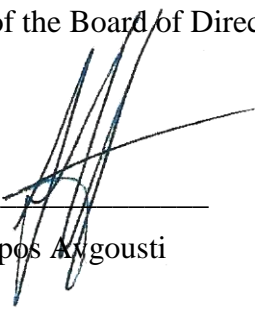
### **CORPORATE GOVERNANCE REPORT (CONTINUED)**

- (b) 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) dies; or
- (e) resigns their office by written notice to the Company; or
- (f) the Company removes them from their 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

  
\_\_\_\_\_  
Sergey Egorov  
Director

Nicosia

6 April 2020

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





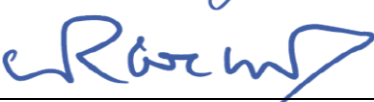

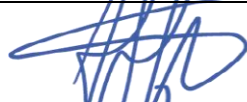


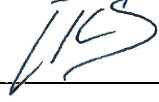
We, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of ETALON GROUP PLC (the ‘Company’), the names of which are listed below, in accordance with the requirements of the Section 9 of the Transparency Requirements (Security 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 consolidated 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 Company and the undertakings included in the consolidated financial account as a whole, and

(b) 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	

6 April 2020

## Independent Auditor's Report

### To the Members of Etalon Group PLC

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Etalon Group PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 21 to 93 and comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Consolidated Financial Statements section of our report. We remained independent of the Group 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 consolidated 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.

#### Emphasis of Matter

We would like to draw attention to Note 2 to the consolidated financial statements, which indicates that effective from 1 January 2019 the Group has changed its accounting policy in respect of the capitalization of borrowing costs. This change was applied retrospectively, in line with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which resulted in a restatement of comparative information as of 31 December 2018 and 1 January 2018 and for the year ended 31 December 2018. Our audit opinion is not modified in respect of this matter.

#### 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
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<b>Revenue recognition</b>	
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In accordance with IFRS 15 *Revenue from Contracts with Customers*, the Group recognizes revenue from sale of real estate inventories as performance obligations are satisfied (i.e. over time) or when performance obligations are satisfied (i.e. at a point in time) depending on the type of contract and the date of its registration with the state authorities.

We consider revenue recognition under IFRS 15 to be a key audit matter due to:

- significance of judgments applied when determining at the reporting date percentage of construction completion and the progress toward satisfying the Group's performance obligations under share participation agreements giving rise to over-time revenue recognition;
- the complexity of judgements involved in determining the financing component for the particular share participation agreements, as well as calculating the correct portion to be recognized in profit or loss of the reporting period.

The accounting policies on revenue under share participation agreements are disclosed in Note 3(j). For other disclosures of revenue refer to Note 6.

Our audit procedures included amongst others:

We analyzed the Group's contracts with customers to identify the rights and obligations of the parties, challenged the appropriateness of revenue recognition method used by the Group, taking into account current legal practices in respect of such contracts.

We obtained an understanding and tested the operating effectiveness of controls over the construction costs budgeting process and assessed the appropriateness of assumptions related to estimating the planned costs and expected construction timeline, which are used by the Group's management in measuring the progress toward completion when revenue is recognized over time. In addition, we performed a retrospective analysis of the Group's fulfilment of the budgets and construction milestones in the past.

On a sample basis, we verified the costs of particular construction stages in accordance with the agreements with contractors signed by the reporting date to the costs in the respective stages of the construction budgets. In addition, we inspected a sample of primary documentation supporting the cost of construction incurred by contractors by the reporting date.

We also verified the Group's calculations of recognized revenue and significant financing component by performing the following:

- on a sample basis, we traced input data in the calculations to the respective share participation agreements;
- we verified that the discount rates applied by the Group reflect the credit characteristics of the party receiving financing in the contract, and that the rates determined at contract inception are applied consistently over the contract term;
- we checked the arithmetical accuracy of the Group's calculations.

We reviewed the disclosures in the consolidated financial statements for compliance with the requirements of IFRS 15.

All the above procedures were completed in a satisfactory manner.

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Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
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#### **Net realizable value of inventories**

The Group has significant inventory balance (refer to Note 17 in the consolidated financial statements), which includes real estate under construction and development, as well as completed properties, construction materials and other inventories. The Group measures its inventories at the lower of cost and net realizable value.

We consider this area to be a key audit matter because it requires use of observable and unobservable inputs and application of a significant degree of judgment when developing assumptions, in particular in relation to:

- the cost to complete construction,
- expected timing and prices of sales,
- the discount rate used to arrive to the present value of the future expected cash flows.

Our audit procedures included amongst others:

We evaluated the appropriateness of management's assumptions applied in calculating the carrying value of inventories including:

- understanding the Group's processes and procedures related to the measurement of inventories at the lower of cost and net realizable value;
- assessing the appropriateness of the discount rate used;
- reviewing, recalculating and critically assessing the reasonableness of the assumptions used in calculation of allowance for inventories considering:
  - historical turnover and prices of sales in these and/or similar projects;
  - budgeted costs to complete construction;
  - post year-end performance.

We also assessed whether the disclosure in the consolidated financial statements in respect of the inventory allowances is in compliance with IFRS requirements.

All the above procedures were completed in a satisfactory manner.

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#### **Accounting for business combination**

As disclosed in Note 27, during the year-ended 31 December 2019 the Group acquired 100% of JSC "Leader-Invest" in two stages.

We consider accounting for this transaction to be a key audit matter because it requires a significant degree of judgment and involves estimations which are uncertain in nature relating to:

- determination whether the acquisition represents a business combination in accordance with the definition set out in IFRS 3 "Business Combinations";
- identification and classification of the assets acquired and liabilities assumed at transaction dates and allocation of purchase price to identified assets and liabilities;
- adjustments made to align accounting policies.

Our audit procedures included amongst others:

We analysed the assumptions and management's judgements applied in respect of the acquisitions of interests in JSC "Leader-Invest" and performed the following:

- inquiries of the Group's management and analysis of the supporting documentation to obtain understanding of the key details of transactions;
- critically assessing management's analysis in respect of the identification of these transactions as business combinations in accordance with the definition of IFRS 3 "Business Combinations";
- challenging management's assumptions and judgements in respect of the purchase price allocation and the fair values of the net identifiable assets acquired;
- with the assistance of internal experts, analysing the valuation reports prepared by the independent appraiser and reconciling the fair value of assets acquired and liabilities assumed to those reports;
- analysing adjustments made to align the accounting policies of the acquired business with the accounting policies adopted by the Group;
- assessing whether the disclosure in the consolidated financial statements in respect of these acquisitions is in compliance with IFRS requirements.

All the above procedures were completed in a satisfactory manner.





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

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

#### **Reporting on other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report and the Responsibility Statement of the Directors and Management of the Company, which are presented in pages 4 to 12, and the supplementary information included on pages 94 to 95 presented for the purpose of additional analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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



## Independent Auditor's Report (continued)

### To the Members of Etalon Group PLC

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

We communicate with the 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 the 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 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 consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

To the Members of Etalon Group PLC

### **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 Group 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 consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 3 April 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 Group and which have not been disclosed in the consolidated financial statements or the consolidated 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 consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.
- 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 consolidated management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated 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 Group 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.

## Independent Auditor's Report (continued)

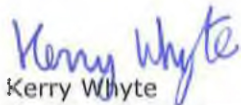
To the Members of Etalon Group PLC

### 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.

The consolidated 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 consolidated financial statements on 1 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, 6 April 2020**

mln RUB	Note	2019	2018 (restated*)
Revenue from sale of real estate accounted for at historical cost		62 609	58 072
Revenue from sale of real estate acquired through business combinations and recognised at fair value at initial recognition		10 875	-
Other revenue		10 846	14 255
<b>Revenue</b>	6	<u>84 330</u>	<u>72 327</u>
Cost of sales of real estate accounted for at historical cost		(44 150)	(42 013)
Cost of sales of real estate acquired through business combinations and recognised at fair value at initial recognition		(9 592)	-
Other cost of sales		(10 531)	(13 259)
<b>Cost of sales</b>		<u>(64 273)</u>	<u>(55 272)</u>
Gross profit from sales of real estate accounted for at historical cost		18 459	16 059
Gross profit from sales of real estate acquired through business combinations and recognised at fair value at initial recognition		1 283	-
Gross profit from other sales		315	996
<b>Gross profit</b>		<u>20 057</u>	<u>17 055</u>
General and administrative expenses	7	(7 280)	(6 922)
Selling expenses		(4 822)	(3 318)
Impairment loss on trade and other receivables	26 (b)(iii)	(476)	(800)
Gain from bargain purchase	27	729	-
Other expenses, net	8	(1 724)	(2 811)
<b>Results from operating activities</b>		<u>6 484</u>	<u>3 204</u>
Finance income – interest revenue	11	2 872	2 101
Finance income - other	11	119	183
Finance costs	11	(7 704)	(5 065)
<b>Net finance costs</b>		<u>(4 713)</u>	<u>(2 781)</u>
<b>Profit before income tax</b>		<u>1 771</u>	<u>423</u>
Income tax expense	12	(1 585)	(1 123)
<b>Profit/(loss) for the year</b>		<u>186</u>	<u>(700)</u>
<b>Total comprehensive income/(loss) for the year</b>		<u>186</u>	<u>(700)</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		795	(702)
Non-controlling interest		(609)	2
<b>Profit/(loss) for the year</b>		<u>186</u>	<u>(700)</u>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		795	(702)
Non-controlling interest		(609)	2
<b>Total comprehensive income/(loss) for the year</b>		<u>186</u>	<u>(700)</u>
<b>Earnings/(loss) per share</b>			
Basic and diluted earnings/(loss) per share (RUB)	22	<u>2,70</u>	<u>(2,41)</u>

\* Effective from 1 January 2019, the Group changed its accounting policy with respect to capitalisation of borrowing costs and significant financing component, see note 2(e)(ii).

mln RUB		<b>31 December</b>	<b>31 December</b>	<b>1 January 2018</b>
	Note	<b>2019</b>	<b>2018</b>	<b>(restated*)</b>
		<b>(restated*)</b>	<b>(restated*)</b>	<b>(restated*)</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13	3 561	3 195	3 085
Investment property	14	1 065	306	333
Other long-term investments	15	190	758	702
Trade and other receivables	18	4 692	5 777	5 799
Deferred tax assets	16	3 921	2 806	2 250
<b>Total non-current assets</b>		<b>13 429</b>	<b>12 842</b>	<b>12 169</b>
<b>Current assets</b>				
Inventories under construction and development	17	85 270	50 053	50 654
Inventories - finished goods	17	14 286	15 646	21 138
Other inventories	17	1 133	1 995	1 223
Advances paid to suppliers	18	9 750	7 727	10 664
Costs to obtain contracts		752	324	-
Contract assets	18	2 463	1 244	1 187
Trade receivables	18	7 444	7 971	13 332
Other receivables	18	5 486	3 466	4 717
Short-term investments	19	203	203	185
Cash and cash equivalents	20	31 128	23 066	14 125
<b>Total current assets</b>		<b>157 915</b>	<b>111 695</b>	<b>117 225</b>
<b>Total assets</b>		<b>171 344</b>	<b>124 537</b>	<b>129 394</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	21	2	2	2
Share premium	21	15 486	15 486	15 486
Reserve for own shares	21	(1)	(1)	(1 606)
Share options reserve	21	-	-	221
Retained earnings		37 089	39 802	44 302
<b>Total equity attributable to equity holders of the Company</b>		<b>52 576</b>	<b>55 289</b>	<b>58 405</b>
Non-controlling interest		-	2	-
<b>Total equity</b>		<b>52 576</b>	<b>55 291</b>	<b>58 405</b>

\* Effective from 1 January 2019, the Group changed its accounting policy with respect to capitalisation of borrowing costs and significant financing component, see note 2(e)(ii).

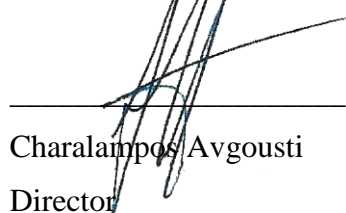
The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated, see note 2(e)(i).

mln RUB		<b>31 December</b>	<b>31 December</b>	<b>1 January 2018</b>
	<b>Note</b>	<b>2019</b>	<b>2018</b>	<b>(restated*)</b>
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Non-current liabilities</b>				
Loans and borrowings	23	42 258	17 559	21 418
Trade and other payables	25	3 227	1 777	2 546
Contract liabilities	25	-	218	-
Provisions	24	116	121	102
Deferred tax liabilities	16	6 463	1 599	1 922
<b>Total non-current liabilities</b>		<b><u>52 064</u></b>	<b><u>21 274</u></b>	<b><u>25 988</u></b>
<b>Current liabilities</b>				
Loans and borrowings	23	10 434	3 353	2 569
Trade and other payables	25	19 142	16 727	14 920
Contract liabilities	25	36 439	26 931	25 649
Provisions	24	689	961	1 863
<b>Total current liabilities</b>		<b><u>66 704</u></b>	<b><u>47 972</u></b>	<b><u>45 001</u></b>
<b>Total equity and liabilities</b>		<b><u>171 344</u></b>	<b><u>124 537</u></b>	<b><u>129 394</u></b>

\* Effective from 1 January 2019, the Group changed its accounting policy with respect to capitalisation of borrowing costs and significant financing component, see note 2(e)(ii).

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated, see note 2(e)(i).

These Consolidated Financial Statements were approved by the Board of Directors on 6 April 2020 and were signed on its behalf by:

  
 \_\_\_\_\_  
 Charalampos Avgousti  
 Director

  
 \_\_\_\_\_  
 Sergey Egorov  
 Director

mln RUB

	Attributable to equity holders of the Company					Non-controlling interest	Total equity	
	Share capital	Share premium	Reserve for own shares	Share options reserve	Retained earnings			Total
Balance at 1 January 2018, as previously reported *	2	15 486	(1 606)	221	48 390	62 493	-	<b>62 493</b>
Impact of change in accounting policy, net of tax, note 2(e)(ii)	-	-	-	-	(4 088)	(4 088)	-	<b>(4 088)</b>
Adjusted balance at 1 January 2018	2	15 486	(1 606)	221	44 302	58 405	-	<b>58 405</b>
<b>Total comprehensive loss for the year</b>								
Loss for the year	-	-	-	-	(702)	(702)	2	<b>(700)</b>
<b>Total comprehensive loss for the year</b>	-	-	-	-	(702)	(702)	2	<b>(700)</b>
<b>Transactions with owners, recorded directly in equity</b>								
Dividends to equity holders	-	-	-	-	(3 260)	(3 260)	-	<b>(3 260)</b>
Equity-settled share-based payment	-	-	1 605	(221)	(538)	846	-	<b>846</b>
<b>Total transactions with owners</b>	-	-	1 605	(221)	(3 798)	(2 414)	-	<b>(2 414)</b>
<b>Balance at 31 December 2018</b>	<b>2</b>	<b>15 486</b>	<b>(1)</b>	<b>-</b>	<b>39 802</b>	<b>55 289</b>	<b>2</b>	<b>55 291</b>

\* Effective from 1 January 2019, the Group changed its accounting policy with respect to capitalisation of borrowing costs and significant financing component, see note 2(e)(ii).

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated, see note 2(e)(i).



mln RUB	Attributable to equity holders of the Company				Total	Non-controlling interest	Total equity
	Share capital	Share premium	Reserve for own shares	Retained earnings			
Balance at 31 December 2018, as previously reported *	2	15 486	(1)	44 627	60 114	2	<b>60 116</b>
Impact of change in accounting policy, net of tax, note 2(e)(ii)	-	-	-	(4 825)	(4 825)	-	<b>(4 825)</b>
Adjusted balance at 1 January 2019	2	15 486	(1)	39 802	55 289	2	<b>55 291</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	795	795	(609)	<b>186</b>
<b>Total comprehensive income for the year</b>	-	-	-	795	795	(609)	<b>186</b>
<b>Transactions with owners of the Company</b>							
<b>Changes in ownership interests</b>							
Dividends to equity holders	-	-	-	(3 577)	(3 577)	-	<b>(3 577)</b>
Dividends to non-controlling shareholders of JSC "Leader-Invest"						(13)	<b>(13)</b>
Acquisition of subsidiary with NCI (note 27)	-	-	-	-	-	15 289	<b>15 289</b>
Acquisition of NCI (note 21)	-	-	-	69	69	(14 669)	<b>(14 600)</b>
<b>Total transactions with owners of the Company</b>	-	-	-	(3 508)	(3 508)	<b>607</b>	<b>(2 901)</b>
<b>Balance at 31 December 2019</b>	<b>2</b>	<b>15 486</b>	<b>(1)</b>	<b>37 089</b>	<b>52 576</b>	<b>-</b>	<b>52 576</b>

\* Effective from 1 January 2019, the Group changed its accounting policy with respect to capitalisation of borrowing costs and significant financing component, see note 2(e)(ii).

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated, see note 2(e)(i).

## Consolidated Statement of Cash Flows for the year ended 31 December 2019

mln RUB	Notes	2019	2018 (restated)
<b>OPERATING ACTIVITIES:</b>			
<b>Profit/(loss) for the year</b>		186	(700)
<i>Adjustments for:</i>			
Depreciation	13, 14	542	365
(Gain)/loss on disposal of property, plant and equipment	8	(274)	8
(Gain) on disposal of investment property	8	(13)	-
Impairment loss on inventories	17	1 287	450
Impairment loss on trade and other receivables, advances paid to suppliers and investments	26 (b)(iii)	578	900
Equity-settled share-based payment transactions	10	-	846
Gain on disposal of subsidiary		(87)	-
Gain from bargain purchase	27	(729)	-
Finance costs, net	11	4 713	2 781
Income tax expense	12	1 585	1 123
<b>Cash from operating activities before changes in working capital and provisions</b>		<b>7 788</b>	<b>5 773</b>
Change in inventories		12 506	3 582
Change in accounts receivable		544	9 036
Change in accounts payable		(11 214)	(65)
Change in provisions	24	(420)	(883)
Change in contract assets	18	(1 219)	(57)
Change in contract liabilities	25	9 290	1 500
<b>Cash generated from operating activities</b>		<b>17 275</b>	<b>18 886</b>
Income tax paid		(3 939)	(1 483)
Interest paid		(4 824)	(2 246)
<b>Net cash from operating activities</b>		<b>8 512</b>	<b>15 157</b>
<b>INVESTING ACTIVITIES:</b>			
Proceeds from disposal of property, plant and equipment		346	57
Proceeds from disposal of investment property		76	8
Interest received		2 167	1 125
Acquisition of property, plant and equipment		(496)	(550)
Loans given		48	(91)
Loans repaid		-	6
Acquisition of subsidiary, net of cash acquired		(10 481)	-
Proceeds from disposal of subsidiaries, net of cash disposed of		19	-
Acquisition of other investments	15, 19	(75)	(112)
Disposal of other investments	15, 19	1 359	153
<b>Net cash (used in)/from investing activities</b>		<b>(7 037)</b>	<b>596</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		30 332	4 707
Repayments of borrowings		(4 432)	(7 719)
Acquisition of non-controlling interest	21 (f)	(14 600)	-
Acquisition of own shares		-	(651)
Payments for lease liabilities, excluding interest	28	(939)	-
Dividends paid		(3 599)	(3 567)
<b>Net cash from/(used in) financing activities</b>		<b>6 762</b>	<b>(7 230)</b>
<b>Net increase in cash and cash equivalents</b>		<b>8 237</b>	<b>8 523</b>
Cash and cash equivalents at the beginning of the year		23 066	14 125
Effect of exchange rate fluctuations		(175)	418
<b>Cash and cash equivalents at the end of the year</b>	20	<b>31 128</b>	<b>23 066</b>

# 1 Background

## a) Organisation and operations

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

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

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

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

The Company’s registered office is located at:

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

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

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

## b) Business environment

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

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

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

## 2 Basis of preparation

### a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

This is the first set of the Group’s consolidated financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in note 2(e).

### b) Basis of measurement and going concern principle

The consolidated financial statements are prepared on the historical cost basis. Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the developments discussed in Note 33.

### c) Functional and presentation currency

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

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

### d) Use of estimates and judgments

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

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

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

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

**e) Changes in accounting policies**

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements, except as described below.

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information is not restated, see note 2(e)(i).

Effective from 1 January 2019, the Group changed its accounting policy with respect to capitalisation of borrowing costs and significant financing component, see note 2(e)(ii).

**i) Adoption of IFRS 16**

Effective from 1 January 2019, the Group has initially adopted IFRS 16 “Leases” that replaced IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

**Definition of a lease**

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

On transition to IFRS 16, the Group didn't apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied the IFRS 16 definition of a lease to all its contracts.

**As a lessee**

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

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

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

**Significant accounting policies**

In accordance with IFRS 16 variable payments which do not depend on an index or rate, i.e. do not reflect changes in market rental rates, should not be included in the calculation of lease liability. In respect of municipal (or federal) land leases where the lease payments are based on cadastral value

of the land plot and do not change until the next potential revision of that value or payments (or both) by the authorities, the Group determined that these lease payments are not considered as either variable (that depend on an index or rate or reflect changes in market rental rates) or in-substance fixed, and therefore these payments are not included in the measurement of the lease liability.

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

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

### **Transition**

Previously, the Group classified leases of land plots for development purposes as operating leases under IAS 17. The leases typically run for a period of construction of development projects.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases of land plots.

### **As a lessor**

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

### **Impacts on financial statements**

#### ***Impacts on transition***

On transition to IFRS 16, the Group recognised additional right-of-use assets, presented within Inventories under construction and development and Property, plant and equipment and additional lease liabilities - in equal amounts, and thus no difference is recognised in retained earnings and deferred taxes remain unaffected. The impact on transition is summarised below.

#### **mln RUB**

**1 January 2019**

Right-of-use asset presented in inventories and property, plant and equipment (note 28).	1 921
Lease liabilities (note 28)	(1 921)

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted the remaining lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 8,91%.

<b>mln RUB</b>	<b><u>1 January 2019</u></b>
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	3 004
Lease payments that are variable (but do not depend on an index or rate or reflect changes in market rental rates) and are not in-substance fixed	(558)
Short-term lease agreements at 31 December 2018	(98)
Discounted using the incremental borrowing rate at 1 January 2019	(427)
<b>Lease liabilities recognised at 1 January 2019 (note 28)</b>	<b>1 921</b>
<b>Right of use assets recognised at 1 January 2019 (note 28)</b>	<b>1 921</b>
Retained earnings impact at 1 January 2019	-

***Impacts for the period***

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized RUB 2 480 million of right-of-use assets and RUB 2 038 million of lease liabilities as at 31 December 2019.

Also, in relation to those leases under IFRS 16, the Group recognized depreciation expense in the amount of RUB 491 million and interest expense in the amount of RUB 233 million (note 28).

**ii) Change in accounting policy with respect to capitalisation of borrowing costs and significant financing component**

Following the requirements of par. 14(b) of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and in order to make cost of sales recognition more predictable and comparable on an ongoing basis and, as a result, provide more meaningful and relevant information for the users, effective from 1 January 2019, the Group ceased capitalisation of borrowing costs into the cost of inventories under construction and development, revenue for which is recognized over time.

The change in accounting policy was driven by a change in significant judgment that the land cost, being the part of inventory (work-in-progress), is not a qualifying asset for capitalisation of borrowings costs as defined in IAS 23 Borrowing Costs.

The change in accounting policy was applied retrospectively, and the Group applied the new accounting policy from the beginning of the earliest prior period presented in these consolidated financial statements.

**Impacts on financial statements**

The following tables summarise the impacts of the change in accounting policy on the Group's consolidated financial statements.

**Consolidated statement of profit or loss and other comprehensive income**

mln RUB	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
<b>Year ended 31 December 2018</b>			
Revenue	72 327	-	72 327
Cost of sales	(57 835)	2 563	(55 272)
<b>Gross profit</b>	14 492	2 563	17 055
General and administrative expenses	(6 922)	-	(6 922)
Selling expenses	(3 318)	-	(3 318)
Impairment loss on trade and other receivables	(800)	-	(800)
Other expenses, net	(2 376)	(435)	(2 811)
<b>Results from operating activities</b>	1 076	2 128	3 204
Finance income – interest revenue	2 101	-	2 101
Finance income - other	183	-	183
Finance costs	(2 015)	(3 050)	(5 065)
<b>Net finance income/(costs)</b>	269	(3 050)	(2 781)
<b>Profit before income tax</b>	1 345	(922)	423
Income tax expense	(1 308)	185	(1 123)
<b>Profit/(loss) for the year</b>	37	(737)	(700)
<b>Total comprehensive income/(loss) for the year</b>	37	(737)	(700)
<b>Earnings per share</b>			
Basic and diluted earnings/(loss) per share (RUB)	0,12	(2,53)	(2,41)



**Consolidated statement of financial position**

mln RUB	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
<b>31 December 2018</b>			
<b>Non-current assets</b>			
Deferred tax assets	2 805	1	2 806
Other	10 036	-	10 036
<b>Total non-current assets</b>	<b>12 841</b>	<b>1</b>	<b>12 842</b>
<b>Current assets</b>			
Inventories under construction and development	56 096	(6 043)	50 053
Inventories - finished goods	15 638	8	15 646
Other	45 996	-	45 996
<b>Total current assets</b>	<b>117 730</b>	<b>(6 035)</b>	<b>111 695</b>
<b>Total assets</b>	<b>130 571</b>	<b>(6 034)</b>	<b>124 537</b>
Retained earnings	44 627	(4 825)	39 802
Other	15 489	-	15 489
<b>Total equity</b>	<b>60 116</b>	<b>(4 825)</b>	<b>55 291</b>
<b>Total current liabilities</b>	<b>47 972</b>	<b>-</b>	<b>47 972</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	2 808	(1 209)	1 599
Other	19 675	-	19 675
<b>Total non-current liabilities</b>	<b>22 483</b>	<b>(1 209)</b>	<b>21 274</b>
<b>Total equity and liabilities</b>	<b>130 571</b>	<b>(6 034)</b>	<b>124 537</b>

mln RUB	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
<b>1 January 2018</b>			
<b>Non-current assets</b>			
Deferred tax assets	2 250	-	2 250
Other	9 919	-	9 919
<b>Total non-current assets</b>	<b>12 169</b>	<b>-</b>	<b>12 169</b>
<b>Current assets</b>			
Inventories under construction and development	55 441	(4 787)	50 654
Inventories - finished goods	21 458	(320)	21 138
Other	45 433	-	45 433
<b>Total current assets</b>	<b>122 332</b>	<b>(5 107)</b>	<b>117 225</b>
<b>Total assets</b>	<b>134 501</b>	<b>(5 107)</b>	<b>129 394</b>
Retained earnings	48 390	(4 088)	44 302
Other	14 103	-	14 103
<b>Total equity</b>	<b>62 493</b>	<b>(4 088)</b>	<b>58 405</b>
<b>Total current liabilities</b>	<b>45 001</b>	<b>-</b>	<b>45 001</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	2 941	(1 019)	1 922
Other	24 066	-	24 066
<b>Total non-current liabilities</b>	<b>27 007</b>	<b>(1 019)</b>	<b>25 988</b>
<b>Total equity and liabilities</b>	<b>134 501</b>	<b>(5 107)</b>	<b>129 394</b>

*Consolidated statement of cash flows*

mln RUB	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
<b>Year ended 31 December 2018</b>			
<b>OPERATING ACTIVITIES:</b>			
<b>Loss for the year</b>	37	(737)	(700)
Finance costs, net	(269)	3 050	2 781
Impairment loss on inventories	512	(62)	450
Income tax expense	1 308	(185)	1 123
Other	2 119	-	2 119
<b>Cash from operating activities before changes in working capital and provisions</b>	<b>3 707</b>	<b>2 066</b>	<b>5 773</b>
Change in inventories	5 648	(2 066)	3 582
Other	9 531	-	9 531
<b>Net cash from operating activities</b>	<b>18 886</b>	<b>-</b>	<b>18 886</b>

The Group does not disclose the effect of change of accounting policy on the current period as it is impracticable to determine the amount of the adjustment.

### iii) New Standards and Interpretations

A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements. Various Improvements to IFRSs and other amendments have been dealt with on a standard-by-standard basis.

Effective 1 January 2019, IFRIC 23 *Uncertainty over Income Tax Treatments* clarified how to account for a tax liability or a tax asset when there is an uncertainty over income tax treatments by the taxation authorities. The tax amounts recorded in these consolidated financial statements are consistent with the tax returns of the Group's subsidiaries and therefore no uncertainty is reflected in measurement of current and deferred taxes, as the Group believes that it is probable that the taxation authorities will accept the treatment in tax returns. The Group will reassess its judgements and estimates whenever there is a change in facts and circumstances – e.g. examinations of taxation authorities, changes in tax legislation or expiration of rights to examine tax amounts.

### New and amended standards and interpretations issued but not yet effective

The following amendments to the standards and interpretations are effective for annual periods beginning on 1 January 2020. The Group 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 7 and IFRS 9- Interest Rate Benchmark Reform;
- Amendments to references to Conceptual Framework for Financial Reporting;
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current.

## 3 Significant accounting policies

### a) Basis of consolidation

#### (i) Business combinations

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

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

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

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

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

**(ii) Subsidiaries**

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

**(iii) Transactions eliminated on consolidation**

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

**b) Foreign currency**

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

**c) Financial instruments**

**(i) Recognition and initial measurement**

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

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

**(ii) Classification and subsequent measurement**

**Financial assets**

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

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are

reclassified on the first day of the first reporting period following the change in the business model.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

#### ***Financial assets – Business model assessment***

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

### ***Financial assets – Subsequent measurement and gains and losses***

#### ***Financial assets at amortised cost***

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

#### ***Financial liabilities – Classification, subsequent measurement and gains and losses***

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

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

#### ***(iii) Modification of financial assets and financial liabilities***

##### ***Financial assets***

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

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced

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

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

### ***Financial liabilities***

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

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

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

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

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

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

accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

**(iv) Derecognition**

**Financial assets**

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

**Financial liabilities**

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

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

**(v) Offsetting**

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

**(vi) Impairment**

**Financial instruments and contract assets**

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

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

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

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

- Trade receivables and contract assets arising from sales of real estate;
- Trade receivables and contract assets arising from provision of construction services and other operations.

The Group does not transfer title for sold properties to the customers until they settle their accounts in full. In case a customer fails to settle obligations in a reasonable time as determined in their sales



contract, the Group initiates termination of the sales contract, the properties are returned to the Group and in addition, the Group withholds a penalty from the amount of consideration it returns to the customer. The properties are subsequently sold to other customers, and the cash flows from sale of collateral are included into the cash flows that the Group expects to receive under the initial contract. The Group estimates and recognises ECLs on trade receivables based on its own statistics about contract termination and credit losses incurred.

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

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

#### ***Credit-impaired financial assets***

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

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

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

#### ***Presentation of allowance for ECL in the statement of financial position***

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

#### ***Write-off***

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

#### **d) Advances paid and contract liabilities**

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

**e) Cash and cash equivalents**

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

**f) Property, plant and equipment****(i) Recognition and measurement**

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

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

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

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

**(ii) Subsequent costs**

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

**(iii) Depreciation**

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

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

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

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

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

**g) Investment property**

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

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

**h) Inventories**

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

The Group accounts for stand-alone and built-in commercial properties within inventories because it does not intend to engage in renting-out those assets and keeping those as investment properties to generate rental income and benefit from appreciation. Properties classified as inventory may be rented out on a temporary basis while the Group is searching for a buyer. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

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

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

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

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

**i) 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 Group determines the grant-date fair value of the right to receive a variable number of equity instruments reflecting the probability of different outcomes.

## **j) Revenue**

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

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

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

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

Effective 1 January 2017, amendments were made to the Federal law 214-FZ, according to which in case a real estate developer properly fulfills his obligations under a share participation agreement, the buyer has no right to terminate the contract unilaterally. Following the amendments made to the Federal law No.214-FZ, the Group has an enforceable right to payment under such agreements since 1 January 2017. Share participation agreements specify the exact apartment to be delivered to the customer, which cannot be delivered to another customer and thus represents an asset with no alternative use to the Group. In accordance with the requirements of IFRS 15, share participation agreements concluded on or after 1 January 2017 qualify for revenue recognition over time as control over the property is transferred to the customer over time.

For sales contracted under share participation agreements concluded with customers before 1 January 2017 there was a contradictory court practice in respect of the right of the buyer to terminate the contract unilaterally. Until 1 July 2018, for share participation agreements concluded with customers before 1 January 2017, the control was considered to have been transferred to individual buyers, when the construction is completed and the buildings has been approved by the State commission for acceptance of finished buildings. As at 1 July 2018, following the development of the court practice, management reassessed whether the Group has an enforceable right to payment for performance completed to date in accordance with IFRS 15 paragraph 35(c). Following the result of reassessment, management concluded that the Group has an enforceable right to payment for performance completed to date. In accordance with the requirements of IFRS 15, share participation agreements concluded before 1 January 2017 qualify for revenue recognition over time since 1 July 2018. The corresponding catch up adjustment for the contracts as at 1 July 2018 was recognized in the second half of 2018 prospectively.

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

The Group applies the input method because it believes that there is a direct relationship between the Group's inputs and the transfer of control of goods or services to a customer. The measurement of

the value to the customer of the goods or services transferred to date, applied under the output method, is not available for the Group without undue cost. The Group excludes from the input method the effects of any inputs that do not contribute to the Group's progress in satisfying the performance obligation.

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

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

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

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

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between the transfer of a promised good to a customer and the customer's payment for that good will be one year or less.

#### **Costs to obtain contracts**

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

#### **(ii) Revenue from construction services**

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

- 1) Contracts for provision of construction services;
- 2) Contracts for construction of an asset.

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

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

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

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

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

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

**(iii) Revenue from sale of construction materials**

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

**k) Income tax**

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

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

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

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

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

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

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

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

## 4 Determination of fair values

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

### a) Non-derivative financial assets

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

### b) Non-derivative financial liabilities

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

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

## 5 Operating segments

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

- *Residential development.* Includes construction of residential real estate including flats, built-in premises and parking places.
- *Construction services.* Includes construction services for third parties and for internal purpose.
- *Other operations.* Include selling of construction materials, construction of stand-alone premises for commercial use and various services related to sale and servicing of premises. None of these meets any of the quantitative thresholds for determining reportable segments during the year ended 31 December 2019 or 2018.

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

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

As described in note 2(e)(ii), effective from 1 January 2019, the Group changed its accounting policy with respect to capitalisation of borrowing costs and significant financing component. The management accounting policies have been changed accordingly. Therefore, comparative periods for reportable segments have also been restated.



## a) Information about reportable segments

mln RUB	Residential development		Construction services		Other		Total	
	2019	2018 (restated)	2019	2018	2019	2018	2019	2018 (restated)
External revenues	73 484	58 072	5 611	8 312	5 235	5 943	84 330	72 327
Inter-segment revenue	-	-	15 187	14 964	626	629	15 813	15 593
Total segment revenue	73 484	58 072	20 798	23 276	5 861	6 572	100 143	87 920
Gross profit	19 742	16 059	110	393	205	603	20 057	17 055
Gross profit, %	27%	28%						

mln RUB	Residential development		Construction services		Other		Total	
	31 December 2019	31 December 2018 (restated)	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018 (restated)
Reportable segment assets: inventories	99 556	64 228	2	1 541	1 131	1 925	100 689	67 694
Total liabilities for reportable segments: contract liabilities	32 798	26 716	525	83	3 116	350	36 439	27 149

**b) Geographical information**

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

mln RUB	Revenues		Non-current assets		
	2019	2018	31 December 2019	31 December 2018	1 January 2018
St. Petersburg metropolitan area	40 640	40 502	3 190	3 027	2 968
Moscow metropolitan area	43 690	31 825	1 436	474	450
	<b>84 330</b>	<b>72 327</b>	<b>4 626</b>	<b>3 501</b>	<b>3 418</b>

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

mln RUB	2019	2018 (restated)
<b>Revenues</b>		
Total revenue for reportable segments	100 143	87 920
Elimination of inter-segment revenue	(15 813)	(15 593)
<b>Consolidated revenue</b>	<b>84 330</b>	<b>72 327</b>
<b>Profit or loss</b>		
Gross profit for reportable segments	20 057	17 055
General and administrative expenses	(7 280)	(6 922)
Selling expenses	(4 822)	(3 318)
Impairment loss on trade and other receivables	(476)	(800)
Gain from bargain purchase	729	-
Other expenses, net	(1 724)	(2 811)
Finance income and interest revenue	2 991	2 284
Finance costs	(7 704)	(5 065)
<b>Consolidated profit/(loss) before income tax</b>	<b>1 771</b>	<b>423</b>
	<b>31 December 2019</b>	<b>31 December 2018 (restated)</b>
<b>Assets</b>		
Total assets for reportable segments: inventories	100 689	67 694
<b>Total inventories</b>	<b>100 689</b>	<b>67 694</b>
<b>Liabilities</b>		
Total liabilities for reportable segments: contract liabilities	36 439	27 149
<b>Total contract liabilities</b>	<b>36 439</b>	<b>27 149</b>

## 6 Revenue

mln RUB	2019	2018
Sale of flats - transferred at a point in time	14 032	26 187
Sale of flats - transferred over time	48 524	27 327
Sale of built-in commercial premises - transferred at a point in time	3 033	1 650
Sale of built-in commercial premises - transferred over time	2 833	1 519
Sale of parking places - transferred at a point in time	3 521	1 025
Sale of parking places - transferred over time	1 541	364
<i>Total revenue - segment Residential development (note 5 (a))</i>	<u>73 484</u>	<u>58 072</u>
Long term construction contracts - transferred over time	4 922	7 459
Short term construction services - transferred over time	689	853
<i>Total revenue of segment Construction services (note 5 (a))</i>	<u>5 611</u>	<u>8 312</u>
Sale of construction materials - transferred at a point in time	2 675	3 601
Sale of stand-alone commercial premises - transferred at a point in time	-	42
Other revenue - transferred at a point in time	1 695	1 677
<i>Total other revenue (note 5 (a))</i>	<u>4 370</u>	<u>5 320</u>
<b>Total revenues from contracts with customers</b>	<b><u>83 465</u></b>	<b><u>71 704</u></b>
Rental revenue (note 5 (a))	865	623
<b>Total revenues</b>	<b><u>84 330</u></b>	<b><u>72 327</u></b>

### Contract balances

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

mln RUB	31 December 2019	31 December 2018	1 January 2018
Trade receivables	12 073	13 515	19 291
Contract assets	2 463	1 244	1 187
Contract liabilities	(36 439)	(27 149)	(25 649)

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

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

Contract liabilities relate to advance consideration received from customers.

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

mln RUB	2019		2018	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
<b>Balance at 1 January</b>	1 244	(27 149)	1 187	(25 649)
Revenue recognised in the reporting year that was included in the contract liability balance at the beginning of the year	-	28 984	-	20 780
Increases due to cash received, excluding amounts recognized as revenue during the year	-	(31 209)	-	(22 280)
Acquisition through business combination	134	(7 065)	-	-
Transfers from contract assets recognised at the beginning of the year to receivables	(1 037)	-	(1 154)	-
Increase as a result of changes in the measure of progress	2 122	-	1 211	-
<b>Balance at 31 December</b>	<b>2 463</b>	<b>(36 439)</b>	<b>1 244</b>	<b>(27 149)</b>
<b>Change during the year</b>	<b>1 219</b>	<b>(9 290)</b>	<b>57</b>	<b>(1 500)</b>

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

31 December 2019	2020	2021	2022	2023	Total
<b>mln RUB</b>					
Residential development	23 294	5 434	869	98	<b>29 695</b>
Construction services	2 313	-	-	-	<b>2 313</b>
<b>Total</b>	<b>25 607</b>	<b>5 434</b>	<b>869</b>	<b>98</b>	<b>32 008</b>
<b>31 December 2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
<b>mln RUB</b>					
Residential development	18 683	9 484	1 439	169	<b>29 775</b>
Construction services	6 523	785	9	-	<b>7 317</b>
<b>Total</b>	<b>25 206</b>	<b>10 269</b>	<b>1 448</b>	<b>169</b>	<b>37 092</b>

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

## 7 General and administrative expenses

mln RUB	<u>2019</u>	<u>2018</u>
Payroll and related taxes	4 825	4 446
Other taxes	521	160
Services	460	468
Audit and consulting services	429	217
Depreciation	218	85
Bank fees and commissions	156	173
Repair and maintenance	102	75
Materials	73	96
Other	496	356
Equity-settled share based payments (note 10)	-	846
<b>Total</b>	<b><u>7 280</u></b>	<b><u>6 922</u></b>

Remuneration of the statutory audit 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). Remuneration of other members of the statutory auditors' network for the year ended 31 December 2019 amounted to RUB 4.7 million for audit services (2018: RUB 9.6 million) and RUB 7.9 million for non-audit services (2018: RUB 5.1 million).

## 8 Other (expenses)/income, net

mln RUB	<u>2019</u>	<u>2018 (restated)</u>
<i>Other income</i>		
Gain on disposal of property, plant and equipment	274	-
Gain on disposal of investment property	13	-
Gain on disposal of subsidiary	87	-
Other income	74	186
Fees and penalties received	153	268
	<b><u>601</u></b>	<b><u>454</u></b>
<i>Other expenses</i>		
Impairment loss on inventories (note 17)	(1 287)	(450)
Cost of social infrastructure for completed projects	(125)	(1 594)
Other taxes	(493)	(496)
Fees and penalties incurred	(231)	(42)
Charity	(29)	(410)
Other expenses	(160)	(261)
Loss on disposal of property, plant and equipment	-	(8)
Loss on disposal of inventories	-	(4)
	<b><u>(2 325)</u></b>	<b><u>(3 265)</u></b>
<b>Other expenses, net</b>	<b><u>(1 724)</u></b>	<b><u>(2 811)</u></b>

## 9 Personnel costs

mln RUB	2019	2018
Wages and salaries	8 030	7 299
Contributions to the State pension fund	1 729	1 547
Equity-settled share based payments (note 10)	-	846
	<b>9 759</b>	<b>9 692</b>

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

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

During the year ended 31 December 2019 personnel costs and related taxes included in cost of production amounted to RUB 4 032 million (year ended 31 December 2018: RUB 3 749 million). The remaining part of personnel expenses was subsumed within general and administrative expenses and selling expenses in the total amount of RUB 5 727 million (year ended 31 December 2018: RUB 5 943 million).

The average number of staff employed by the Group during the year ended 31 December 2019 was 4 821 employees (year ended 31 December 2018: 4 803 employees).

## 10 Share-based payment arrangements

### Share option programme (equity-settled)

On 1 July 2017, the Group granted share options to certain members of top management of the Group as part of management long-term incentive plan. Each option entitles the holder to a predetermined number of GDRs of the Group 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 commenced from 1 July 2017 and was planned to last up to 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 Group's service.

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 historical volatility of the Company's GDRs during 2017.

In 2018, the Group modified the formula for market performance condition. The incremental fair value granted as a result of 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 historical monthly volatility of the Company's GDRs for the period from 14 April 2011 to 8 June 2018. Dividend yield - as average actual dividend yield of Company's shares for the period 2014 – 2017.

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

In April 2018, the company granted awards in the form of 403 896 GDRs of the Company's ordinary shares under the Company's management incentive plan to senior management team employees and executive directors. 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 of 1 April 2018 amounted to RUB 71 million.

In June 2018, the Group replaced the share option programme dated 1 July 2017 by 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 of 7 years, during which the participants were not entitled to sell, transfer or otherwise dispose any respective GDRs received from the Group, unless such sale, transfer or disposal has been approved by the Group.

Following the replacement share based payment dated 8 June 2018, the Group 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:

- 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 historical annual volatility of the Company's GDRs for the period from 14 April 2011 to 8 June 2018. Dividend yield - as 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 by 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 historical monthly volatility of the Company's GDRs for the period from 14 April 2011 to 8 June 2018. Dividend yield - as average actual dividend yield of Company's shares for the period 2014 – 2017.

For details of the related employee benefit expenses, see note 9.

## 11 Finance income and finance costs

mln RUB	<u>2019</u>	<u>2018 (restated)</u>
<b>Recognised in profit or loss</b>		
<b>Finance income</b>		
Interest income under the effective interest method on:		
- Cash and cash equivalents (except bank deposits)	1 431	672
- Unwinding of discount on trade receivables	705	976
- Bank deposits - at amortised cost	736	453
<b>Total interest income arising from financial assets measured at amortised cost</b>	<b>2 872</b>	<b>2 101</b>
Gain on write-off of accounts payable	111	101
Reversal of impairment loss on investments	8	18
Net foreign exchange gain	-	64
<b>Finance income - other</b>	<b>119</b>	<b>183</b>
<b>Finance costs</b>		
Financial liabilities measured at amortised cost:		
- Interest expenses- financing component under IFRS 15	(2 619)	(2 859)
- Interest expenses - borrowing costs	(4 387)	(2 074)
- Interest expense on leases	(233)	-
- Unwinding of discount on other payables	(171)	-
Net foreign exchange loss	(172)	-
Impairment loss on advances paid to suppliers	(102)	(118)
Other finance costs	(20)	(14)
<b>Finance costs</b>	<b>(7 704)</b>	<b>(5 065)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(4 713)</b>	<b>(2 781)</b>

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

mln RUB	<u>2019</u>	<u>2018</u>
Borrowing costs and significant financing component capitalised during the year	397	628
Weighted average capitalisation rate	14,86%	12,96%

During the year ended 31 December 2019, borrowing costs and significant financing component that have been capitalised into the cost of real estate properties under construction and development (revenue for which was not recognised over time) in the amount of RUB 1 164 million (year ended 31 December 2018: RUB 1 399 million, as restated), were included into the cost of sales upon construction and sale of those properties – including borrowing costs in the amount of RUB 808 million (year ended 31 December 2018: RUB 769 million, as restated) and significant financing component in the amount of RUB 356 million (year ended 31 December 2018: RUB 630 million, as restated).



## 12 Income tax expense/(benefit)

The Company's applicable tax rate under the Cyprus Income Tax Law is 12,5%. The Cypriot subsidiaries' applicable tax rate is 12,5%. For the Russian companies of the Group the applicable income tax rate is 20% (year ended 31 December 2018: 20%).

mln RUB	<u>2019</u>	<u>2018 (restated)</u>
<b>Current tax expense</b>		
Current year	3 390	2 310
Under-provided/(over-provided) in prior year	9	(308)
	<u>3 399</u>	<u>2 002</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(1 814)	(879)
<b>Income tax expense</b>	<u>1 585</u>	<u>1 123</u>

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

mln RUB	<u>2019</u>	<u>2018 (restated)</u>
Profit before income tax	1 771	423
Theoretical income tax at statutory rate of 20%	354	85
<i>Adjustments due to:</i>		
Under-provided/(over-provided) in prior year	9	(308)
Effect of 16,5% tax rate *	-	101
Expenses not deductible and income not taxable for tax purposes, net	1 222	1 245
<b>Income tax expense</b>	<u>1 585</u>	<u>1 123</u>

\* - During the year ended 31 December 2018, the operations of JSC "Etalon LenSpetsSMU" were taxable at a rate of 16,5% due to applied tax concession. Effective from 1 January 2019, the income tax rate of JSC "Etalon LenSpetsSMU" increased to 20%.

## 13 Property, plant and equipment

During the year ended 31 December 2019, depreciation expense of RUB 281 million (year ended 31 December 2018: RUB 250 million) has been charged to cost of sales, RUB 16 million (year ended 31 December 2018: RUB 29 million) to cost of real estate properties under construction and development, RUB 12 million to other expenses, net (year ended 31 December 2018: RUB 11 million) and RUB 218 million (year ended 31 December 2018: RUB 85 million) to general and administrative expenses.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
<b>Cost</b>							
Balance at 1 January 2018	1 176	2 509	139	217	117	1 182	<b>5 340</b>
Additions	264	95	17	71	4	99	<b>550</b>
Disposals	(166)	(67)	(23)	(19)	-	-	<b>(275)</b>
Transfers	1 070	-	-	1	-	(1 071)	<b>-</b>
<b>Balance at 31 December 2018</b>	<b>2 344</b>	<b>2 537</b>	<b>133</b>	<b>270</b>	<b>121</b>	<b>210</b>	<b>5 615</b>
Balance at 1 January 2019	2 344	2 537	133	270	121	210	<b>5 615</b>
Additions	319	66	27	64	-	154	<b>630</b>
Acquisition through business combination	372	6	-	20	-	5	<b>403</b>
Disposals	(188)	(130)	(42)	(39)	(1)	(2)	<b>(402)</b>
Transfers	81	3	-	14	-	(98)	<b>-</b>
<b>Balance at 31 December 2019</b>	<b>2 928</b>	<b>2 482</b>	<b>118</b>	<b>329</b>	<b>120</b>	<b>269</b>	<b>6 246</b>
<b>Depreciation and impairment losses</b>							
Balance at 1 January 2018	(338)	(1 695)	(89)	(133)	-	-	<b>(2 255)</b>
Depreciation for the year	(165)	(152)	(17)	(41)	-	-	<b>(375)</b>
Disposals	125	59	15	11	-	-	<b>210</b>
<b>Balance at 31 December 2018</b>	<b>(378)</b>	<b>(1 788)</b>	<b>(91)</b>	<b>(163)</b>	<b>-</b>	<b>-</b>	<b>(2 420)</b>
Balance at 1 January 2019	(378)	(1 788)	(91)	(163)	-	-	<b>(2 420)</b>
Depreciation for the year	(287)	(159)	(18)	(61)	-	-	<b>(525)</b>
Disposals	105	94	36	25	-	-	<b>260</b>
<b>Balance at 31 December 2019</b>	<b>(560)</b>	<b>(1 853)</b>	<b>(73)</b>	<b>(199)</b>	<b>-</b>	<b>-</b>	<b>(2 685)</b>
<b>Carrying amounts</b>							
Balance at 1 January 2018	<b>838</b>	<b>814</b>	<b>50</b>	<b>84</b>	<b>117</b>	<b>1 182</b>	<b>3 085</b>
Balance at 31 December 2018	<b>1 966</b>	<b>749</b>	<b>42</b>	<b>107</b>	<b>121</b>	<b>210</b>	<b>3 195</b>
Balance at 1 January 2019	<b>1 966</b>	<b>749</b>	<b>42</b>	<b>107</b>	<b>121</b>	<b>210</b>	<b>3 195</b>
Balance at 31 December 2019	<b>2 368</b>	<b>629</b>	<b>45</b>	<b>130</b>	<b>120</b>	<b>269</b>	<b>3 561</b>

## 14 Investment property

mln RUB	<u>2019</u>	<u>2018</u>
<i>Cost</i>		
Balance at 1 January	587	596
Acquisition through business combination	838	-
Additions	15	-
Disposals	(65)	(9)
<b>Balance at 31 December</b>	<b><u>1 375</u></b>	<b><u>587</u></b>
<i>Accumulated depreciation and impairment losses</i>		
Balance at 1 January	(281)	(263)
Depreciation for the year	(31)	(19)
Disposals	2	1
<b>Balance at 31 December</b>	<b><u>(310)</u></b>	<b><u>(281)</u></b>
<i>Carrying amount at 1 January</i>	<u>306</u>	<u>333</u>
<i>Carrying amount at 31 December</i>	<b><u>1 065</u></b>	<b><u>306</u></b>

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

As at 31 December 2019, the fair value of investment property amounted to RUB 1 289 million (31 December 2018: RUB 463 million, 1 January 2018: RUB 458 million), which was determined based on discounted cash flows from the use of the property. Fair value estimate represents level 3 of the fair value hierarchy. The Group did not identify any indicators of impairment as at 31 December 2019, 31 December 2018 and 31 December 2017, and did not recognise any impairment losses for investment property during the year ended 31 December 2019 and 2018.

## 15 Other long-term investments

mln RUB	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>1 January 2018</u>
Bank promissory notes - at amortised cost	96	654	652
Loans - at amortised cost	106	101	87
Bank deposits - at amortised cost	-	23	-
	<b><u>202</u></b>	<b><u>778</u></b>	<b><u>739</u></b>
Loss allowance for loans given	(11)	(13)	(37)
Loss allowance for promissory notes	(1)	(7)	-
	<b><u>190</u></b>	<b><u>758</u></b>	<b><u>702</u></b>

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26. As at 31 December 2018 and 1 January 2018, bank promissory notes in the amount of RUB 451 million were pledged as security of secured bank loans, see note 23.

## 16 Deferred tax assets and liabilities

### (a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

mln RUB	Assets			Liabilities			Net		
	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Property, plant and equipment	288	236	318	(1 051)	(928)	(738)	(763)	(692)	(420)
Investments	26	14	273	(73)	(42)	(23)	(47)	(28)	250
Inventories	6 541	4 368	3 775	(5 179)	(459)	28	1 362	3 909	3 803
Contract assets and trade and other receivables	698	126	568	(3 605)	(5 041)	(4 842)	(2 907)	(4 915)	(4 274)
Deferred expenses	483	384	239	(729)	(714)	(555)	(246)	(330)	(316)
Loans and borrowings	53	34	185	(29)	(14)	(29)	24	20	156
Provisions	614	394	100	(37)	(32)	44	577	362	144
Contract liabilities and trade and other payables	1 483	3 040	2 032	(2 706)	(142)	(1 166)	(1 223)	2 898	866
Tax loss carry-forwards	845	74	150	(1)	(1)	(1)	844	73	149
Other	78	76	73	(241)	(166)	(103)	(163)	(90)	(30)
Tax assets/(liabilities)	11 109	8 746	7 713	(13 651)	(7 539)	(7 385)	(2 542)	1 207	328
Set off of tax	(7 188)	(5 940)	(5 463)	7 188	5 940	5 463	-	-	-
Net tax assets/(liabilities)	<b>3 921</b>	<b>2 806</b>	<b>2 250</b>	<b>(6 463)</b>	<b>(1 599)</b>	<b>(1 922)</b>	<b>(2 542)</b>	<b>1 207</b>	<b>328</b>

**(b) Unrecognised deferred tax liability**

At 31 December 2019 a deferred tax liability arising on temporary differences of RUB 66 132 million (31 December 2018: RUB 53 401 million, 1 January 2018: RUB 47 494 million) related to investments in subsidiaries was not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

**(c) Movement in temporary differences during the period**

mln RUB	<b>1 January 2019 (restated)</b>	<b>Recognised in profit or loss</b>	<b>Acquisition through business combination</b>	<b>31 December 2019</b>
Property, plant and equipment	(692)	16	(87)	(763)
Investments	(28)	(2)	(17)	(47)
Inventories	3 909	2 623	(5 170)	1 362
Contract assets and trade and other receivables	(4 915)	1 837	171	(2 907)
Deferred expenses	(330)	84	-	(246)
Loans and borrowings	20	7	(3)	24
Provisions	362	109	106	577
Contract liabilities and trade and other payables	2 898	(3 023)	(1 098)	(1 223)
Tax loss carry-forwards	73	236	535	844
Other	(90)	(73)	-	(163)
	<b>1 207</b>	<b>1 814</b>	<b>(5 563)</b>	<b>(2 542)</b>

mln RUB	<b>1 January 2018 (restated)</b>	<b>Recognised in profit or loss</b>	<b>31 December 2018 (restated)</b>
Property, plant and equipment	(420)	(272)	(692)
Investments	250	(278)	(28)
Inventories	3 803	106	3 909
Contract assets and trade and other receivables	(4 274)	(641)	(4 915)
Deferred expenses	(316)	(14)	(330)
Loans and borrowings	156	(136)	20
Provisions	144	218	362
Contract liabilities and trade and other payables	866	2 032	2 898
Tax loss carry-forwards	149	(76)	73
Other	(30)	(60)	(90)
	<b>328</b>	<b>879</b>	<b>1 207</b>

## 17 Inventories

mln RUB	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
<b><i>Inventories under construction and development</i></b>			
Own flats under construction and development	70 831	38 388	39 231
Built-in commercial premises under construction and development	8 406	4 229	5 474
Parking places under construction and development	8 394	9 488	7 650
	<b>87 631</b>	<b>52 105</b>	<b>52 355</b>
Less: Allowance for inventories under construction and development	(2 361)	(2 052)	(1 701)
<b><i>Total inventories under construction and development</i></b>	<b>85 270</b>	<b>50 053</b>	<b>50 654</b>
<b><i>Inventories - finished goods</i></b>			
Own flats	7 157	8 980	14 645
Built-in and stand-alone commercial premises	3 100	4 543	3 675
Parking places	5 495	2 618	3 233
	<b>15 752</b>	<b>16 141</b>	<b>21 553</b>
Less: Allowance for inventories - finished goods	(1 466)	(495)	(415)
<b><i>Total inventories - finished goods</i></b>	<b>14 286</b>	<b>15 646</b>	<b>21 138</b>
<b><i>Other inventories</i></b>			
Construction materials	939	1 692	879
Other	223	325	347
	<b>1 162</b>	<b>2 017</b>	<b>1 226</b>
Less: Allowance for other inventories	(29)	(22)	(3)
<b><i>Total other inventories</i></b>	<b>1 133</b>	<b>1 995</b>	<b>1 223</b>
<b>Total</b>	<b>100 689</b>	<b>67 694</b>	<b>73 015</b>

### a) Barter transactions

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

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

*Project 1, years ended 31 December 2013-2016*

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

The following key assumptions were used by the appraiser:

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

*Project 2, year ended 31 December 2015*

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

The following key assumptions were used by the appraiser:

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

*Project 3, year ended 31 December 2017*

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

The following key assumptions were used by the appraiser:

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

*Project 4, year ended 31 December 2017*

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

The following key assumptions were used by the appraiser:

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

*Project 5, year ended 31 December 2019*

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

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

The following key assumptions were used by the appraiser:

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

Accordingly, at 31 December 2019, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013 – 2019 in the amount of RUB 8 497 million, while the remaining balance of RUB 276 million is included into finished goods and RUB 250 million - into inventories under construction and development.

At 31 December 2019, the cost of land plots (Project 2) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2019 in the amount of RUB 3 022 million, while the remaining balance of RUB 65 million is included in finished goods and RUB 1 435 million in inventories under construction and development.

At 31 December 2019, the cost of land plots (Project 3) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2019 in the amount of RUB 3 569 million, while the remaining balance of RUB 21 million is included in finished goods and RUB 805 million in inventories under construction and development.

At 31 December 2019, the cost of land plots (Project 4) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2019 in the amount of RUB 1 369 million, while the remaining balance of RUB 431 million is included in inventories under construction and development.

At 31 December 2019, the cost of land plots (Project 5) measured as described above and related to premises sold under share participation agreements, was recognised in cost of sales during the year ended 31 December 2019 in the amount of RUB 1 million, while the remaining balance of RUB 1 192 million is included in inventories under construction and development.

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to City Authorities. As at 31 December 2019, the cost of such social infrastructure amounts to RUB 1 219 million and is included into the balance of finished goods and inventories under construction and development (31 December 2018: RUB 1 360 million, 1 January 2018: RUB 1 570 million). These costs are recoverable as part of projects they relate to. The cost of social infrastructure is recognised in cost of sales consistently with the transfer to the customers of the apartments to which this social infrastructure relates.

#### b) Allowance for impairment of inventories

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

<b>mln RUB</b>	<b>2019</b>	<b>2018 (restated)</b>
Balance at 1 January	2 569	2 119
Impairment loss on inventories (note 8)	1 287	450
<b>Balance at 31 December</b>	<b>3 856</b>	<b>2 569</b>

As at 31 December 2019, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 3 856 million (31 December 2018: RUB 2 569 million, as restated, 1 January 2018: RUB 2 119 million, as restated) and the respective allowance was recognised in other expenses, see note 8. As at 31 December 2019, the allowance of RUB 3 414 million relates to parking



places (31 December 2018: RUB 2 547 million, as restated, 1 January 2018: RUB 2 116 million, as restated).

The balance of parking places is equal to RUB 13 889 million as at 31 December 2019 (31 December 2018: RUB 12 106 million, as restated, 1 January 2018: RUB 14 010 million, as restated). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;
- Discount rates –12,37% per annum;
- Inflation rates – 4,46 – 4,72% per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information of parking places considered analogous.

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

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

<b>31 December 2019</b>			
<b>Change of parameter</b>	<b>Impact on allowance for impairment</b>	<b>Impact on allowance for impairment</b>	<b>In monetary terms (mln RUB)</b>
Growth of discount rate	2%	5%	159
Growth of inflation rates	2%	-6%	(199)
Reduction of turnover of finished goods	1	4%	121
Reduction of revenue from uncontracted parking places	2%	3%	101
<b>31 December 2018</b>			
<b>Change of parameter</b>	<b>Impact on allowance for impairment</b>	<b>Impact on allowance for impairment</b>	<b>In monetary terms (mln RUB)</b>
Growth of discount rate	1%	5%	117
Growth of inflation rates	1%	-5%	(137)
Reduction of turnover of finished goods	1	3%	74
Reduction of revenue from uncontracted parking places	1%	2%	45

	<b>1 January 2018</b>		
	<b>Change of parameter</b>	<b>Impact on allowance for impairment</b>	<b>In monetary terms (mln RUB)</b>
Growth of discount rate	1%	5%	108
Growth of inflation rates	1%	-4%	(107)
Reduction of turnover of finished goods	1	-5%	(117)
Reduction of revenue from uncontracted parking places	1%	2%	45

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

The Group has temporarily rented out a part of certain items of property classified as inventories – finished goods in these consolidated financial statements. As at 31 December 2019, the total carrying value of these items of property was RUB 327 million (31 December 2018: RUB 566 million, 1 January 2018: RUB 670 million). The Group is actively seeking buyers for these properties.

#### d) Pledges

As at 31 December 2019, inventories with a carrying amount of RUB 7 139 million (31 December 2018: RUB 2 874 million, 1 January 2018: RUB 9 371 million) are pledged as security for borrowings, see note 23.

#### e) Change in estimates

As at 31 December 2018, the Group conducted a review of estimates that it makes while allocating certain construction costs between residential and commercial premises and underground parking which are located in the same building. Due to continued tightening of the regulations in the St. Petersburg metropolitan area which oblige the Group to reduce maximum number of storeys in residential buildings and increase minimal number of parking places, the Group made a decision that the existing estimate needed a revision as a result of changes that occurred in the circumstances on which the previous estimate was based.

The change in an accounting estimate had the following effect on the Group's consolidated financial statements for the year ended 31 December 2018:

#### *Consolidated statement of profit or loss and other comprehensive income*

<b>mln RUB</b>	<b>2018</b>
Sale of flats - transferred over time	325
Cost of sales	(893)
Other (expenses)/income, net	2 236
Income tax expense	(334)
Profit for the year	<b>1 334</b>

**Consolidated statement of financial position**

mln RUB	<u>31 December 2018</u>
<b>Non-current assets</b>	
Deferred tax assets	(334)
<b>Current assets</b>	
Inventories under construction	<u>1 343</u>
<b>Total assets</b>	<u>1 009</u>
Retained earnings	<u>1 334</u>
<b>Total equity</b>	<u>1 334</u>
<b>Current liabilities</b>	
Contract liabilities	<u>(325)</u>
<b>Total liabilities</b>	<u>(325)</u>
<b>Total equity and liabilities</b>	<u>1 009</u>

The Group does not disclose the effect on future periods because it is impracticable to estimate that effect due to uncertainty in the pace of contracting of residential and commercial premises and parking places in the future periods.

## 18 Contract assets, trade and other receivables

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

mln RUB	31 December 2019	31 December 2018	1 January 2018
<i>Long-term trade and other receivables</i>			
Trade receivables	4 596	5 600	5 734
Less: Allowance for doubtful trade accounts receivable	(57)	(65)	(64)
<b>Trade long-term less allowance</b>	<b>4 539</b>	<b>5 535</b>	<b>5 670</b>
Other receivables	164	233	131
Less: Allowance for doubtful other accounts receivable	(11)	(10)	(3)
<b>Other long-term less allowance</b>	<b>153</b>	<b>223</b>	<b>128</b>
Advances paid to suppliers	-	19	1
<b>Total long-term trade and other receivables</b>	<b>4 692</b>	<b>5 777</b>	<b>5 799</b>
<i>Short-term trade and other receivables</i>			
Contract assets	2 463	1 244	1 187
Trade receivables	8 134	8 625	14 016
Less: Allowance for doubtful trade accounts receivable	(690)	(654)	(684)
<b>Trade short-term less allowance</b>	<b>9 907</b>	<b>9 215</b>	<b>14 519</b>
Advances paid to suppliers	9 988	8 075	10 894
Less: Allowance for doubtful advances paid to suppliers	(238)	(348)	(230)
<b>Advances paid to suppliers short-term less allowance</b>	<b>9 750</b>	<b>7 727</b>	<b>10 664</b>
VAT recoverable	3 231	1 380	2 478
Income tax receivable	696	424	579
Trade receivables due from related parties	90	9	6
Other taxes receivable	73	27	22
Other receivables due from related parties	18	9	9
Other receivables	2 130	2 131	1 832
	<b>6 238</b>	<b>3 980</b>	<b>4 926</b>
Less: Allowance for doubtful other accounts receivable	(752)	(514)	(209)
<b>Other short-term less allowance</b>	<b>5 486</b>	<b>3 466</b>	<b>4 717</b>
<b>Total short-term trade and other receivables</b>	<b>25 143</b>	<b>20 408</b>	<b>29 900</b>
<b>Total</b>	<b>29 835</b>	<b>26 185</b>	<b>35 699</b>

## 19 Short-term investments

mln RUB	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>1 January 2018</u>
Bank promissory notes - at amortised cost	108	135	-
Bank deposits (over 3 months) - loans and receivables	80	-	153
Loans - at amortised cost	146	205	169
	<u>334</u>	<u>340</u>	<u>322</u>
Loss allowance for loans given	(131)	(137)	(137)
Loss allowance for promissory notes	-		
<b>Total</b>	<u>203</u>	<u>203</u>	<u>185</u>

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

## 20 Cash and cash equivalents

mln RUB	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>1 January 2018</u>
Cash in banks, in RUB	18 423	14 597	6 902
Cash in banks, in USD	89	171	2 936
Cash in banks, in EUR	15	19	68
Cash in banks, in GBP	2	2	2
Petty cash	2	3	49
Cash in transit	-	-	3
Short-term deposits (less than 3 months)	12 597	8 274	4 165
<b>Total</b>	<u>31 128</u>	<u>23 066</u>	<u>14 125</u>

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

At 31 December 2019, the most significant amount of cash and cash equivalents held with one bank totalled RUB 10 309 million (31 December 2018: RUB 7 324 million, 1 January 2018: RUB 3 786 million). At 31 December 2019, the Group has no outstanding loans and borrowings with the same bank (outstanding loans and borrowings with the same bank at 31 December 2018: RUB 3 345 million, at 1 January 2018: RUB 2 012 million). The bank has a Standard & Poor's/Moody's credit rating credit rating of BB-.

At 31 December 2019, short-term deposits bore interest rate ranging from 3,73% to 6,7% per annum (31 December 2018: 6,6% - 8%, 1 January 2018: 6,25% - 9,45%).

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

**Bank balances on escrow accounts – supplementary disclosure**

<b>mln RUB</b>	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>	<b><u>1 January 2018</u></b>
Bank balances in escrow accounts	692	-	-

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

**21 Capital and reserves****a) Share capital**

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

*Number of shares unless otherwise stated*

	<b><u>31 December 2019</u></b>		<b><u>31 December 2018</u></b>	
	<b><u>Ordinary shares</u></b>	<b><u>Preference shares</u></b>	<b><u>Ordinary shares</u></b>	<b><u>Preference shares</u></b>
<i>Issued shares</i>				
Par value at the beginning of the year	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
On issue at the beginning of the year	294 954 025	20 000	286 741 593	20 000
Par value at the end of the year	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
Own shares disposed during the year	-	-	8 212 432	-
On issue at the end of the year, fully paid	<b>294 954 025</b>	<b>20 000</b>	<b>294 954 025</b>	<b>20 000</b>

At 1 January 2018, 31 December 2018 and at 31 December 2019, the authorised number of shares was 294.957.971. All issued ordinary shares are fully paid.

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

**b) Share premium**

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

**c) Reserve for own shares**

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

Between 20 June 2017 and 31 December 2017, the Company acquired 5 488 378 own shares for the consideration of RUB 1 189 million, and as at 31 December 2017, the total number of own shares acquired

by the Group amounted to 8 216 378 shares or 2,8% of issued share capital for the consideration of RUB 1 629 million.

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

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

#### d) 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 Group's key management personnel, as part of their remuneration, see note 10.

#### e) Dividends

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

During the year ended 31 December 2019, the Company paid dividends in the amount of RUB 3 586 million (year ended 31 December 2018: RUB 3 567 million).

#### f) Non-controlling interests in subsidiaries

On 19 February 2019, the Group acquired a 51% stake in JSC "Leader-Invest" (note 27). The non-controlling interest was measured as a 49%-share of the recognised amounts of the acquiree's net identifiable assets and amounted to RUB 15 289 million (year ended 31 December 2018 - no significant changes in non-controlling interest). On 16 August 2019, the Group acquired the remaining 49% of the share capital of JSC "Leader-Invest" for the consideration of RUB 14 600 million, while the carrying amount of the share of net assets acquired amounted to RUB 14 669 million. The excess of RUB 69 million of the share of net assets acquired over the consideration transferred was recognised as an increase in retained earnings.

## 22 Earnings/(loss) per share

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

<i>Number of shares unless otherwise stated</i>	<b>2019</b>	<b>2018 (restated)</b>
Issued shares at 1 January	294 954 025	286 741 593
Effect of own shares disposed during the year	-	5 050 739
Weighted average number of shares for the year ended 31 December	<b>294 954 025</b>	<b>291 792 332</b>
Profit/(loss) attributable to the owners of the Company, mln RUB	795	(702)
Basic and diluted earnings/(loss) per share (RUB)	2,70	(2,41)

## 23 Loans and borrowings

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

mln RUB	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>1 January 2018</u>
<i>Non-current liabilities</i>			
Secured bank loans	27 965	1 411	5 303
Unsecured bank loans	4 316	7 845	6 183
Unsecured bond issues	9 977	8 303	9 932
	<u>42 258</u>	<u>17 559</u>	<u>21 418</u>
<i>Current liabilities</i>			
Current portion of secured bank loans	2 393	211	972
Current portion of unsecured bank loans	4 438	1 453	1 482
Current portion of unsecured bond issues	3 603	1 689	36
Current portion of other unsecured loans	-	-	79
	<u>10 434</u>	<u>3 353</u>	<u>2 569</u>

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

mln RUB	<u>1 January 2019</u>	<u>Proceeds from borrowings</u>	<u>Repayment of borrowings</u>	<u>Other changes</u>	<u>Changes from acquisition of subsidiaries (note 27)</u>	<u>31 December 2019</u>
Secured bank loans	1 622	30 048	(1 313)	(220)	221	30 358
Unsecured bank loans	9 298	284	(1 469)	25	616	8 754
Unsecured bond issues	9 992	-	(1 650)	(78)	5 316	13 580
	<u>20 912</u>	<u>30 332</u>	<u>(4 432)</u>	<u>(273)</u>	<u>6 153</u>	<u>52 692</u>



mln RUB	Currency	Nominal interest rate as of 31 December	Year of maturity	31 December 2019		31 December 2018		1 January 2018	
				Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
<b>Secured bank loans</b>				<b>30 658</b>	<b>30 358</b>	<b>1 622</b>	<b>1 622</b>	<b>6 275</b>	<b>6 275</b>
Secured bank loan	RUB	CBR's key rate + 2,35%	2024	15 224	15 000	-	-	-	-
Secured bank loan	RUB	CBR's key rate + 3%	2027	14 642	14 566	-	-	-	-
Secured bank loan	RUB	10,00%	2020	460	460	202	202	127	127
Secured bank loan	RUB	10,00%	2020	332	332	332	332	332	332
Secured bank loan	RUB	CBR's key rate + 1,5%	2020	-	-	-	-	2 287	2 287
Secured bank loan	RUB	13,10%	2020	-	-	-	-	1 028	1 028
Secured bank loan	RUB	11,75%	2022	-	-	802	802	802	802
Secured bank loan	RUB	10,40%	2021	-	-	237	237	750	750
Secured bank loan	RUB	12,00%	2021	-	-	-	-	734	734
Secured bank loan	RUB	10,68%	2021	-	-	49	49	215	215
<b>Unsecured bank loans</b>				<b>8 754</b>	<b>8 754</b>	<b>9 298</b>	<b>9 298</b>	<b>7 665</b>	<b>7 665</b>
Unsecured bank loan	RUB	8,70% - 8,90%	2021	1 502	1 502	1 502	1 502	1 246	1 246
Unsecured bank loan	RUB	9,70%	2021	1 458	1 458	1 543	1 543	2 003	2 003
Unsecured bank loan	RUB	8,80%	2020	1 200	1 200	1 300	1 300	1 300	1 300
Unsecured bank loan	RUB	9,00%	2020	1 200	1 200	1 200	1 200	-	-
Unsecured bank loan	RUB	10,25%	2022	902	902	-	-	-	-
Unsecured bank loan	RUB	CBR's key rate + 1%	2021	740	740	1 001	1 001	1 001	1 001
Unsecured bank loan	RUB	8,75%	2021	501	501	501	501	50	50
Unsecured bank loan	RUB	8,70%	2022	501	501	501	501	-	-
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	500	500	500	500	-	-
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	250	250	250	250	50	50
Unsecured bank loan	RUB	9,00%	2018	-	-	-	-	1 000	1 000
Unsecured bank loan	RUB	9,00%	2019	-	-	1 000	1 000	1 000	1 000
Unsecured bank loan	RUB	11,00%	2019	-	-	-	-	-	-
Unsecured bank loan	RUB	8,75%	2018	-	-	-	-	12	12
Unsecured bank loan	RUB	10,10%	2019	-	-	-	-	3	3
<b>Unsecured bond issues</b>				<b>13 652</b>	<b>13 580</b>	<b>10 039</b>	<b>9 992</b>	<b>10 115</b>	<b>10 047</b>
Unsecured bonds	RUB	11,70%	2021	5 213	5 166	-	-	-	-
Unsecured bonds	RUB	8,95%	2022	5 022	5 005	5 018	4 997	5 016	4 983
Unsecured bonds	RUB	11,85%	2021	3 363	3 355	5 021	4 995	5 020	4 985
Unsecured bonds	RUB	7,95%	2019	54	54	-	-	79	79
				<b>53 064</b>	<b>52 692</b>	<b>20 959</b>	<b>20 912</b>	<b>24 055</b>	<b>23 987</b>

Bank loans are secured by:

- inventories with a carrying amount of RUB 7 139 million (31 December 2018: RUB 2 874 million, 1 January 2018: RUB 9 371 million), see note 17;
- pledge of 68% of shares in subsidiary company JSC “Zatonskoe” which represents RUB 4 198 million in its net assets\* (31 December 2018: RUB 3 167 million in net assets, 1 January 2018: RUB 3 555 million in net assets);
- pledge of 100% of shares in subsidiary company LLC “LS-Rielty” which represents RUB 2 259 million in its net assets\* (31 December 2018: RUB 1 024 million in net assets, 1 January 2018: RUB 970 million in net assets).
- pledge of 51% shares of JSC “Leader-Invest” and 100% of other 45 subsidiary companies of JSC “Leader-Invest” which collectively represent RUB 36 059 million in net assets\* (31 December 2018, 1 January 2018: no pledge).
- pledge of 100% shares of JSC “Etalon LenSpetsSMU”, LLC “ZhK Moskovskiy” and LLC “Zolotaya Zvezda”, which collectively represent RUB 46 695 million in net assets\* (31 December 2018, 1 January 2018: no pledge).

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

The bank loans are subject to certain restrictive covenants, which are calculated based on the individual financial statements of certain entities of the Group, as well as based on the consolidated financial statements of the Group. There was no breach of any of the restrictive covenants as at 31 December 2019.

## 24 Provisions

mln RUB	Provision				Total
	Warranties	for deferred works	for onerous contracts	for litigations and claims	
<b>Balance at 1 January 2018</b>	102	1 792	71	-	1 965
Provisions made during the year	91	1 512	2	-	1 605
Provisions used during the year	(72)	(2 203)	-	-	(2 275)
Provision reversed during the year	-	(192)	(21)	-	(213)
<b>Balance at 31 December 2018</b>	<b>121</b>	<b>909</b>	<b>52</b>	<b>-</b>	<b>1 082</b>
<b>Balance at 1 January 2019</b>	121	909	52	-	1 082
Provisions made during the year	48	403	-	93	544
Assumed through business combination	-	47	-	95	142
Provisions used during the year	(53)	(822)	-	(54)	(929)
Provision reversed during the year	-	(30)	(4)	-	(34)
<b>Balance at 31 December 2019</b>	<b>116</b>	<b>507</b>	<b>48</b>	<b>134</b>	<b>805</b>
Non-current	116	-	-	-	116
Current	-	507	48	134	689
	<b>116</b>	<b>507</b>	<b>48</b>	<b>134</b>	<b>805</b>

### a) Warranties

The provision for warranties relates mainly to the residential units sold during the year. The provision is based on estimates made from historical experience from the sale of such units. The Group expects the

expenses to be incurred over the next three years on average. The warranty provision relates to construction works done.

#### b) Provision for deferred works

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

## 25 Contract liabilities, trade and other payables

mln RUB	31 December 2019	31 December 2018	1 January 2018
<i>Long-term</i>			
Contract liabilities	-	218	-
Trade payables	1 462	72	62
Lease liabilities	1 365	-	-
Other payables	400	1 705	2 484
	<b>3 227</b>	<b>1 995</b>	<b>2 546</b>
<i>Short-term</i>			
Contract liabilities	36 439	26 931	25 649
Trade payables	5 382	4 878	7 260
VAT payable	3 383	2 681	3 188
Payroll liabilities	874	854	733
Income tax payable	105	443	85
Other taxes payable	348	306	251
Lease liabilities	673	-	6
Other payables	8 377	7 565	3 397
	<b>55 581</b>	<b>43 658</b>	<b>40 569</b>
<b>Total</b>	<b>58 808</b>	<b>45 653</b>	<b>43 115</b>

Short-term other payables mainly consist of an obligation equal to RUB 6 394 million (31 December 2018: RUB 4 624 million, 1 January 2018: RUB 1 938 million) to construct social infrastructure objects and a liability of RUB 1 096 million (31 December 2018: RUB 2 984 million, 1 January 2018: RUB 3 526 million) to the City authorities for change of intended use of land plot recognised as part of inventories.

Contract liabilities include advances from customers in the amount of RUB 2 563 million which will be satisfied after 12 months from the reporting date (31 December 2018: RUB 10 709 million, 1 January 2018: RUB 4 430 million). They are classified within short-term liabilities as the development cycle of construction projects exceeds one year.

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

## 26 Financial instruments and risk management

### a) Accounting classifications and fair values

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

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

- Level 1 inputs

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

- Level 2 inputs

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

- Level 3 inputs

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

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

mln RUB	Carrying amount			Fair value		
	At amortised cost	Other financial liabilities	Total	Level 1	Level 2	Total
<b>31 December 2018</b>						
<b>Financial assets not measured at fair value</b>						
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	15 518	-	<b>15 518</b>	-	15 528	<b>15 528</b>
Bank deposits (over 3 months)	23	-	<b>23</b>	-	23	<b>23</b>
Bank promissory notes	782	-	<b>782</b>	-	939	<b>939</b>
Cash and cash equivalents	23 066	-	<b>23 066</b>	23 066	-	<b>23 066</b>
	<b>39 389</b>	-	<b>39 389</b>	<b>23 066</b>	<b>16 490</b>	<b>39 556</b>
<b>Financial liabilities not measured at fair value</b>						
Secured bank loans	-	(1 622)	<b>(1 622)</b>	-	(1 657)	<b>(1 657)</b>
Unsecured bank loans	-	(9 298)	<b>(9 298)</b>	-	(9 100)	<b>(9 100)</b>
Unsecured bond issues	-	(9 992)	<b>(9 992)</b>	(10 145)	-	<b>(10 145)</b>
Trade and other payables	-	(15 074)	<b>(15 074)</b>	-	(14 984)	<b>(14 984)</b>
	-	<b>(35 986)</b>	<b>(35 986)</b>	<b>(10 145)</b>	<b>(25 741)</b>	<b>(35 886)</b>
<b>mln RUB</b>						
	Carrying amount			Fair value		
	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Total
<b>1 January 2018</b>						
<b>Financial assets not measured at fair value</b>						
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	21 238	-	<b>21 238</b>	-	21 278	<b>21 278</b>
Bank deposits (over 3 months)	153	-	<b>153</b>	-	153	<b>153</b>
Bank promissory notes	652	-	<b>652</b>	-	752	<b>752</b>
Cash and cash equivalents	14 125	-	<b>14 125</b>	14 125	-	<b>14 125</b>
	<b>36 168</b>	-	<b>36 168</b>	<b>14 125</b>	<b>22 183</b>	<b>36 308</b>
<b>Financial liabilities not measured at fair value</b>						
Secured bank loans	-	(6 275)	<b>(6 275)</b>	-	(6 358)	<b>(6 358)</b>
Unsecured bank loans	-	(7 665)	<b>(7 665)</b>	-	(7 595)	<b>(7 595)</b>
Unsecured bond issues	-	(9 968)	<b>(9 968)</b>	(10 458)	-	<b>(10 458)</b>
Other unsecured loans	-	(79)	<b>(79)</b>	-	(79)	<b>(79)</b>
Trade and other payables	-	(14 041)	<b>(14 041)</b>	-	(13 555)	<b>(13 555)</b>
	-	<b>(38 028)</b>	<b>(38 028)</b>	<b>(10 458)</b>	<b>(27 587)</b>	<b>(38 045)</b>

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

	<b>Discounting factor</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>1 January 2018</b>
Receivables (excluding taxes receivable and advances paid to suppliers)	Weighted average rate on mortgages issued during the year	9,56%	9,32%	9,80%
Loans given	Weighted average interest rates on loans to non-financial organizations	8,33%	9,17%	9,41%
Unsecured loans and bond issued, and trade and other payables	Weighted average interest rates on loans to non-financial organizations	8,33%	9,17%	9,41%
Bank promissory notes	Weighted average interest rate on deposits of non-financial organizations	5,87%	6,72%	7,55%

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

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

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

### **Risk management framework**

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

#### **b) Credit risk**

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

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

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

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

**(i) Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2019, receivables from one customer equalled to RUB 610 million or 4% of the Group's consolidated trade and other receivables (31 December 2018: RUB 1 175 million or 8%, 1 January 2018: 1 338 million or 6%).

**(ii) Guarantees**

As at 31 December 2019 the Group had not provided any financial guarantees to entities outside the Group (31 December 2018 and 1 January 2018: nil).

**(iii) Exposure to credit risk**

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

mln RUB	Carrying amount		
	31 December 2019	31 December 2018	1 January 2018
<b>Financial assets and contract assets</b>			
Loans and receivables (excluding taxes receivable, advances paid to suppliers), including contract assets *	7 409	7 488	5 988
Bank promissory notes	203	782	652
Bank deposits (over 3 months)	80	-	153
Cash and cash equivalents	31 128	23 066	14 125
	<b>38 820</b>	<b>31 359</b>	<b>20 918</b>

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

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

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

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

**Maturity analysis and impairment**

The ageing of trade receivables at the reporting date was:

mln RUB	Gross	Impairment	Gross	Impairment	Gross	Impairment
	31 December 2019		31 December 2018		1 January 2018	
Not past due	10 293	(153)	11 411	(85)	18 065	(25)
Past due 0-30 days	461	(5)	548	(5)	434	(6)
Past due 31-90 days	513	(275)	475	(42)	179	(5)
Past due 91-120 days	60	(9)	110	(15)	77	(8)
Past due more than 120 days	1 493	(305)	1 690	(572)	1 001	(704)
	<b>12 820</b>	<b>(747)</b>	<b>14 234</b>	<b>(719)</b>	<b>19 756</b>	<b>(748)</b>

The ageing of loans given at the reporting date was:

mln RUB	Gross	Impairment	Gross	Impairment	Gross	Impairment
	31 December 2019		31 December 2018		1 January 2018	
Not past due	120	(10)	169	(13)	119	-
Past due 0-30 days	46	(46)				
Past due more than 120 days	86	(86)	137	(137)	137	(174)
	<b>252</b>	<b>(142)</b>	<b>306</b>	<b>(150)</b>	<b>256</b>	<b>(174)</b>

#### Allowance for impairment in respect of trade receivables

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

mln RUB	2019	2018
<b>Balance at 1 January</b>	719	746
Amounts written off	(89)	(399)
Net remeasurement of loss allowance	117	372
<b>Balance at 31 December</b>	<b>747</b>	<b>719</b>

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

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

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

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

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



During the reporting period, there were no changes in the quality of the collateral. There were no changes in the collateral policies of the Group during the year 2019.

#### Allowance for impairment in respect of other receivables

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

mln RUB	2019	2018
<b>Balance at 1 January</b>	524	214
Amounts written off	(129)	(27)
Net remeasurement of loss allowance	368	337
<b>Balance at 31 December</b>	<b>763</b>	<b>524</b>

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

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

mln RUB	2019	2018
<b>Balance at 1 January</b>	157	175
Amounts written off	(6)	-
Net remeasurement of loss allowance	(8)	(18)
<b>Balance at 31 December</b>	<b>143</b>	<b>157</b>

#### Allowance for impairment of cash and cash equivalents

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

#### Allowance for impairment in respect of advances paid to suppliers

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

mln RUB	2019	2018
<b>Balance at 1 January</b>	348	230
Amounts written off	(212)	(18)
Increase during the year	102	136
<b>Balance at 31 December</b>	<b>238</b>	<b>348</b>

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

#### **c) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

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

Contractual maturities of financial liabilities were as follows:

### 31 December 2019

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

### 31 December 2018

	Carrying amount	Contractual cash flows	0 - 12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
<b>Non-derivative financial liabilities</b>								
Loans and borrowings	20 912	24 813	5 296	9 876	7 655	1 986	-	-
Trade and other payables (excluding taxes payable and contract liabilities)	15 074	15 362	13 298	1 438	588	38	-	-
	<b>35 986</b>	<b>40 175</b>	<b>18 594</b>	<b>11 314</b>	<b>8 243</b>	<b>2 024</b>	<b>-</b>	<b>-</b>

### 1 January 2018

	Carrying amount	Contractual cash flows	0 - 12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
<b>Non-derivative financial liabilities</b>								
Loans and borrowings	23 987	30 060	4 818	7 421	9 879	6 122	1 820	-
Trade and other payables (excluding taxes payable and contract liabilities)	14 041	13 549	9 703	966	2 288	556	53	2
	<b>38 028</b>	<b>43 609</b>	<b>14 521</b>	<b>8 387</b>	<b>12 167</b>	<b>6 678</b>	<b>1 873</b>	<b>2</b>

**d) Market risk**

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

**(i) Currency risk**

The Group's exposure to foreign currency risk is limited. As at 31 December 2019, 31 December 2018 and 1 January 2018 the Group's net positions in foreign currency were as follows:

mln RUB	31 December 2019		31 December 2018		1 January 2018	
	USD	EUR	USD	EUR	USD	EUR
Cash and cash equivalents (see note 20)	89	15	171	19	2 936	68
<b>Net exposure</b>	<b>89</b>	<b>15</b>	<b>171</b>	<b>19</b>	<b>2 936</b>	<b>68</b>

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

The following significant exchange rates applied during the year:

in RUB	Average rate		Reporting date spot rate		
	2019	2018	31 December 2019	31 December 2018	1 January 2018
USD 1	64,62	62,71	61,91	69,47	57,60
EUR 1	72,32	73,95	69,34	79,46	68,87

**(ii) Interest rate risk**

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

**Profile**

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

mln RUB	Carrying amount		
	31 December 2019	31 December 2018	1 January 2018
<b>Fixed rate instruments</b>			
Financial assets	36 129	29 624	20 783
Financial liabilities	(22 009)	(19 162)	(20 656)
	<b>14 120</b>	<b>10 462</b>	<b>127</b>
<b>Variable rate instruments</b>			
Financial liabilities	(31 356)	(1 750)	(3 337)
	<b>(31 356)</b>	<b>(1 750)</b>	<b>(3 337)</b>

**Cash flow sensitivity analysis for variable rate instruments**

mln RUB	Profit or loss		Equity	
	200 bp increase	100 bp decrease	200 bp increase	100 bp decrease
<b>31 December 2019</b>				
Variable rate instruments	(627)	314	(627)	314
Cash flow sensitivity (net)	(627)	314	(627)	314
<b>31 December 2018</b>				
Variable rate instruments	(35)	18	(35)	18
Cash flow sensitivity (net)	(35)	18	(35)	18
<b>1 January 2018</b>				
Variable rate instruments	(67)	33	(67)	33
Cash flow sensitivity (net)	(67)	33	(67)	33

**Fair value sensitivity analysis for fixed rate instruments**

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

**e) Capital management**

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

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

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

mln RUB	31 December 2019	31 December 2018	1 January 2018
<b>Total borrowings</b>	52 692	20 912	23 987
Less: cash and cash equivalents	(31 128)	(23 066)	(14 125)
Less: bank deposits over 3 months, notes 19 and 15	(80)	-	(153)
Net debt	21 484	(2 154)	9 709
<b>Total equity</b>	52 576	55 793	58 657
Debt to capital ratio at end of year	0,41	(0,04)	0,17

At 31 December 2019, lease liabilities of RUB 2 038 million (31 December 2018 – nil) are included in trade and other payables (see notes 25 and 28) and are not included in the total amount of borrowings.

## **27 Acquisition of subsidiary**

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

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

### ***Consideration transferred***

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

### ***Contingent consideration***

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

### ***Acquisition-related costs***

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

### ***Identifiable assets acquired and liabilities assumed***

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

mln RUB	Note	<u>Recognised fair values on acquisition</u>
<b>Non-current assets</b>		
Property, plant and equipment	13	403
Investment property	14	838
Other long term investments		4
Deferred tax assets	16	94
<b>Current assets</b>		
Inventories		45 655
Trade and other receivables		1 057
Advances issued		1 781
Short-term investment		752
Cash and cash equivalents		4 704
Other current assets		187
<b>Non-current liabilities</b>		
Loans and borrowings	23	(5 779)
Long-term trade and other payables		(998)
Deferred tax liabilities	16	(5 657)
<b>Current liabilities</b>		
Loans and borrowings	23	(374)
Trade and other payables		(11 322)
Provisions	24	(143)
<b>Total identifiable net assets</b>		<u><b>31 202</b></u>
Total identifiable net assets acquired (51%)		15 913
Non-controlling interest (49%)		<u>15 289</u>

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

### ***Indemnification assets***

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

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

### ***Measurement of fair values***

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

### **Inventories**

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

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

The following key assumptions were used by the appraiser:

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

### ***Bargain purchase***

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

From the date of acquisition to 31 December 2019 JSC “Leader-Invest” and its subsidiaries contributed revenues of RUB 11 198 million and a loss of RUB 3 145 million.

If the acquisition of the business had occurred on 1 January 2019, management estimates that consolidated revenue would have been RUB 86 132 million, and consolidated loss for the year would have been RUB 58 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

## **28 Leases**

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

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



mln RUB	<b>Inventories under construction</b>	<b>Property, plant and equipment</b>	<b>Total</b>
<b>Right-of-use assets</b>			
Balance at 1 January 2019	1 786	135	1 921
Additions to right-of-use assets	4	134	138
Termination of lease contracts	-	(39)	(39)
Depreciation charge	(342)	(149)	(491)
Acquired through business combination	631	319	950
<b>Balance at 31 December 2019</b>	<b>2 079</b>	<b>400</b>	<b>2 479</b>
<b>Lease liabilities</b>			
Balance at 1 January 2019	1 786	135	1 921
Settlement of lease liabilities, including interest	(975)	(197)	(1 172)
Interest expense on lease liabilities	190	43	233
Additions to lease liabilities	4	136	140
Termination of lease contracts	-	(34)	(34)
Assumed through business combination	631	319	950
<b>Balance at 31 December 2019</b>	<b>1 636</b>	<b>402</b>	<b>2 038</b>

Future cash outflows to which the Group is exposed that are not reflected in the measurement of lease liabilities arising from variable lease payments amount to RUB 789 million.

## 29 Capital commitments

As at 31 December 2019 the Group had no capital commitments (31 December and 1 January 2018: nil).

## 30 Contingencies

### a) Insurance

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

### b) Litigation

During the year ended 31 December 2019, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

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

The appeals were dismissed by both court of original jurisdiction and the appellate court, but returned to the court of original jurisdiction by the court of cassation, involving the Government of Moscow as the third party to the proceeding. Following that, the parties elected to settle the dispute using an extrajudicial procedure and to develop amicable agreement. The agreement leaves project planning documentation unchanged, but prolongs the payment schedule, including postponing of payment of RUB 7 305 million mentioned above until 2021-2022. At the reporting date, the Group did not recognise any liability, and will recognise it following the signing of amicable agreement when such liability will become legally enforceable.

As of the date these consolidated financial statements have been authorised for issue, the amicable agreement is not finally agreed by the parties and not approved by the Arbitration court of Moscow.

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

### 31 Related party transactions

#### a) Transactions with management

##### (i) Management remuneration

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

<b>mln RUB</b>	<b>2019</b>	<b>2018</b>
Short-term employee benefits - salaries and bonuses	1 599	879
Termination benefit paid to member of key management personnel	57	115
	<b>1 656</b>	<b>994</b>

During the year ended 31 December 2019 and 2018, the Group did not grant any loans and pensions to its key management personnel. During the year ended 31 December 2018, the key management personnel was subject to share-based payment program as disclosed in the note 10.

During the year ended 31 December 2019, the remuneration of the members of the Board of Directors of the Company amounted to RUB 48 million (2018: RUB 213 million)

##### (ii) Other transactions

Current accounts in banks – related parties and sales to (returns from) key management personnel are disclosed below:

<b>mln RUB</b>	<b>Transaction value</b>		<b>Outstanding balance</b>		
	<b>2019</b>	<b>2018</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>1 January 2018</b>
Current accounts in banks - related parties	(469)	-	14	-	-
(Returns)/sales of apartments and premises	-	2	-	2	(2)
Proceeds from investments :	117	-	-	-	-
Interest payable	(51)	-	(163)	-	-
	<b>(469)</b>	<b>2</b>	<b>14</b>	<b>2</b>	<b>(2)</b>

**b) Transactions with other related parties**

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

**(i) Revenue**

mln RUB	Transaction value		Outstanding balance		
	2019	2018	31 December 2019	31 December 2018	1 January 2018
Other related parties	113	45	613	7	7
	<b>113</b>	<b>45</b>	<b>613</b>	<b>7</b>	<b>7</b>

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

**(ii) Expenses**

mln RUB	Transaction value		Outstanding balance		
	2019	2018	31 December 2019	31 December 2018	1 January 2018
Other related parties	(123)	135	(221)	(2)	(8)
	<b>(123)</b>	<b>135</b>	<b>(221)</b>	<b>(2)</b>	<b>(8)</b>

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

**(iii) Loans**

mln RUB	Amount loaned		Outstanding balance		
	2019	2018	31 December 2019	31 December 2018	1 January 2018
Loans given	4	-	6	-	-
Loans received	(298)	-	(1 922)	-	-
	<b>(294)</b>	<b>-</b>	<b>(1 916)</b>	<b>-</b>	<b>-</b>

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

## 32 Group entities

### Significant subsidiaries

Subsidiary	Country of incorporation	31 December 2019	31 December 2018
JSC "GK Etalon"	Russian Federation	100,00%	100,00%
LLC "EtalonAktiv"	Russian Federation	100,00%	100,00%
JSC "Etalon LenSpetsSMU"	Russian Federation	100,00%	100,00%
JSC "Novator"	Russian Federation	100,00%	100,00%
JSC "LenSpetsSMU-Rekonstruktsiya"	Russian Federation	100,00%	100,00%
LLC "Etalon-Invest"	Russian Federation	100,00%	100,00%
JSC "Zatonskoe"	Russian Federation	100,00%	100,00%
LLC "SPM-Zhilstroy"	Russian Federation	100,00%	100,00%
LLC "Zolotaya Zvezda"	Russian Federation	100,00%	100,00%
JSC "Leader-Invest"	Russian Federation	100,00%	-
LLC "Razvitiye"	Russian Federation	100,00%	-
LLC "Nagatinskiy"	Russian Federation	100,00%	-
LLC "Lobachevskogo 120"	Russian Federation	100,00%	-

As at 31 December 2019, the Group controlled 128 legal entities (31 December 2018: 132). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements. The above is a list of the most significant subsidiaries.

## 33 Events subsequent to the reporting date

### Operating events

#### GDR buyback programme

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

#### 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, quarantines of personnel, reduced

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

The 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.

**Financing events**

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 31 December 2019 for the total amount of RUB 3 202 million.

Subsequent to the reporting date the Group has obtained additional tranches of loans for the total amount of RUB 89 million with interest rates of 9,5% - 10% and repayable by 2022.

## Supplementary information

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

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

### Adjusted net debt/Adjusted EBITDA ratio

mln RUB	31 December 2019	31 December 2018
<b>Total borrowings</b>	52 692	20 912
Less: cash and cash equivalents	(31 128)	(23 066)
Less: bank deposits over 3 months, note 19	(80)	-
Add: contract liabilities, reportable segment Residential development, note 5	32 798	26 716
Less: Inventories under construction, note 17	(85 270)	(50 053)
<b>Adjusted net debt</b>	<b>(30 988)</b>	<b>(25 491)</b>
	<b>2019</b>	<b>2018</b>
Gross profit	20 057	17 055
Add: Purchase price allocation from acquisition of Leader-Invest included in cost of sales	2 678	-
Less: General and administrative expenses, note 7	(7 280)	(6 922)
Less: Selling expenses	(4 822)	(3 318)
Adjusted operating profit	10 633	6 815
Add: Depreciation and amortisation	542	365
<b>Adjusted EBITDA</b>	<b>11 175</b>	<b>7 180</b>
<b>Adjusted net debt/Adjusted EBITDA</b>	<b>(2,77)</b>	<b>(3,55)</b>

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

Adjusted EBITDA represents gross profit for the year adjusted by general and administrative expenses, selling expenses, depreciation and amortisation and effect of purchase price allocation from acquisition of subsidiary.

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

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

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

**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:

<b>31.12.2019</b>	<b>Note</b>	<b>12-month/ lifetime ECL</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Net carrying amount</b>
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

<b>31.12.2018</b>	<b>Note</b>	<b>12-month/ lifetime ECL</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Net carrying amount</b>
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:

	<b>2019</b>	<b>2018</b>
	<b>RUB'000</b>	<b>RUB'000</b>
<b>Balance at 1 January</b>	<b>(4,257,627)</b>	<b>(3,356,921)</b>
Adjustment on initial application of IFRS 9	-	(210,552)
<b>Balance at 1 January per IFRS 9</b>	<b>(4,257,627)</b>	<b>(3,567,473)</b>
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>	<b>(4,257,627)</b>

• **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</b>	<b>Profit or Loss</b>
	<b>2019</b>	<b>2019</b>
	<b>RUB'000</b>	<b>RUB'000</b>
US Dollar	<u><b>500.223</b></u>	<u><b>500.223</b></u>
	Equity	Profit or Loss
	2018	2018
	RUB'000	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</b>	<b>Profit or Loss</b>
	<b>2019</b>	<b>2019</b>
	<b>RUB'000</b>	<b>RUB'000</b>
Euro	<u><b>18.042</b></u>	<u><b>18.042</b></u>
	Equity	Profit or loss
	2018	2018
	RUB'000	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>132.379</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.