Etalon Group PLC

Consolidated Financial Statements
For the year ended 31 December 2017

Contents

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors	Viacheslav Adamovich Zarenkov Dmitry Viacheslavovich Zarenkov (appointed on 29 July 2016) Dmitry Kashinskiy (appointed on 10 November 2016) Kirill Bagachenko (appointed on 15 November 2013) Michael Calvey (appointed on 12 November 2010) Alexey Kalinin (appointed on 12 November 2010) Martin Robert Cocker (appointed on 12 November 2010) Boris Svetlichny (appointed on 15 April 2013) Charalambos Avgousti (appointed on 10 November 2016) Marios Theodosiou (appointed on 10 November 2016) Andrew Russell Howat (appointed on 1 March 2015 and resigned on 18 January 2017) Anton Evdokimov (appointed on 8 November 2007 and resigned on 10 November 2016)
Secretary	Intertrust Secretaries (Jersey) Limited Esplanade, 44 St. Helier, JE4 9WG, Jersey (before 5 April 2017) G.T. Globaltrust Services Limited Themistokli Dervi, 15 Margarita House, 5th floor, flat/office 502 1066 Nicosia Cyprus (effective from 5 April 2017)
Registered Office	St. Julian's Avenue, Redwood House St. Peter Port, Guernsey GY1 1WA, the Channel Islands (before 5 April 2017) 2-4 Arch. Makariou III Avenue Capital Center, 9th floor 1065 Nicosia Cyprus (effective from 5 April 2017)
Independent auditors	KPMG Limited Certified Public Accountants and Registered Auditors 14 Esperidon Street 1087, 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 2017. 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 2017 are set out on pages 17 to 73 of the Consolidated Financial Statements.

(a) Revenue

The Group's total revenue for the year ended 31 December 2017 amounted to RUB 70 645 million as compared to RUB 49 022 million for the year ended 31 December 2016, recording an increase of 44%.

Revenue of reportable segment "Residential development" increased by RUB 9 749 million or 29%, mainly due to increased sales of flats in both St. Petersburg and Moscow metropolitan areas.

Revenue of reportable segment "Construction services" increased by RUB 498 million or 6% mainly due to new project for construction of metro depot in St. Petersburg.

Revenue in reportable segment "Other" decreased by RUB 340 million or 5%. Increase in sales of construction materials by RUB 918 million was offset by the impact of adoption of IFRS 15 in the amount of RUB 1 601 million. Following the adoption of IFRS 15, the Group recognises revenue and cost of utilities (heating, water) supplied to the residential buildings that it services on a net basis.

The adoption of IFRS 15 contributed RUB 11 744 million to the total increase in revenue during the year ended 31 December 2017, see details in note 2e).

(b) Gross profit

The gross profit for the year ended 31 December 2017 is RUB 18 001 million as compared to RUB 12 209 million for the year ended 31 December 2016, recording an increase of 47%. The adoption of IFRS 15 as of 1 January 2017, contributed RUB 2 964 million out of the total increase in gross profit in 2017.

(c) Results from operating activities

Results from operating activities, during the year ended 31 December 2017 amounted to RUB 10 385 million versus RUB 5 018 million for the year ended 31 December 2016 showing an increase of RUB 5 367 million or 107%.

During the year ended 31 December 2017, general and administrative expenses increased by RUB 598 million, or 13%, selling expenses increased by RUB 946 million, or 48%, other income, net increased by RUB 1 119 million, as compared to the year ended 31 December 2016.

Growth in general and administrative expenses was mainly caused by growth in payroll and related taxes by RUB 362 million or 11%, while the remainder increase of RUB 236 million is represented mainly by growth in third-party services.

Selling expenses increased mainly due to growth of advertising expenses, driven by new, more aggressive marketing strategy and due to growth in agency fees, caused by change in sales strategy in 2017. Starting from 2017, the Group puts more emphasis on sales through third-party agents by increasing their commissions and involving third-party agents in sales of all of the Groups development projects.

The adoption of IFRS 15 contributed RUB 3 184 million out of the total increase in results from operating activities in 2017.

(d) Finance income

Net finance income for the year ended 31 December 2017 decreased by RUB 1 506 million or 98% as compared to the year ended 31 December 2016.

Finance income decreased by RUB 145 million or 8% mainly due to decrease in interest income on bank deposits by RUB 334 million or 40%, offset by increase in interest income on loans and receivables by RUB 99 million or 32% and by increase in unwinding of discount on trade receivables by RUB 140 million or 22%.

Finance costs increased by RUB 1 361 million mainly as a result of expensing of financing component recognized under IFRS 15 in the amount of RUB 909 million (2016: nil), increase in allowance for doubtful accounts receivable of RUB 301 million (2016: nil) and increase in allowance for investments by RUB 123 million or 90%.

The early adoption of IFRS 15 as of 1 January 2017, contributed RUB 830 million out of the total decrease in net finance income in 2017.

(e) Income tax expense

Income tax expense for the year ended 31 December 2017 increased to RUB 2 524 million as compared to RUB 1 654 million during the year ended 31 December 2016.

The adoption of IFRS 15 contributed RUB 471 million to the total increase in income tax expense in 2017.

(f) Profit for the year ended 31 December 2017

The profit for the year attributable to the owners of the Company amounted to RUB 7 890 million (as compared to the profit of RUB 4 902 million for year ended 31 December 2016) and is transferred to retained earnings.

Principal risks and uncertainties

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

Changes during the year relating to the nature of the operations and the classes of business that the Company has an interest

During the year ended 31 December 2017, there were no changes relating to the nature of the operations of the Company or its subsidiaries and in the classes of business that the Company has an interest as a member of another company. There were no takeovers or mergers which have been realized or intended, whether active or passive.

Nonrecurring or unusual activities and other significant events

On 1 January 2017, the Group early adopted IFRS 15 Revenue from Contracts with Customers. As a result, the Group has changed its accounting policy for revenue recognition as described in note 2e).

Future developments of the Group

The Board of Directors expects continued growth in the Group's operations in all markets of its presence, and further improvement in the 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 2017.

Branches

The Group operated through branches in Moscow and Saint Petersburg and 14 representative (sales) offices across the Russian Federation during the year ended 31 December 2017. The Company did not operate through any branches.

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 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 2017, the Board of Directors recommended a final dividend of USD 0.107 per share for the year ended 31 December 2016. A final dividend of USD 0.107 per share (or RUB 1 858 million in total) was approved by the Annual General Meeting of shareholders on 27 July 2017. On 23 August 2017, the dividends were paid. On 13 November 2017, the Board of Directors recommended an interim dividend of USD 0.04 per share for the six months ended 30 June 2017, and on 13 December 2017 interim dividends of RUB 684 million were paid.

Changes in the Company's share capital

All changes in share capital composition including new shares issued during 2017 are disclosed in note 21a) of the consolidated financial statements. There were no changes in share capital during 2016.

Acquisition of own shares

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

Between 20 June 2017 and 31 December 2017, the Company acquired 5 488 378 own shares for the consideration of RUB 1 189 million, and as at 31 December 2017, the total number of own shares acquired by the Group amounted to 8 216 378 shares or 2,8% of issued share capital (as at 31 December 2016: 2 728 000 own shares or 1% of issued share capital) for the consideration of RUB 1 629 million (as at 31 December 2016: RUB 440 million), see note 21c) of the consolidated financial statements. There was no acquisition of own shares during 2016.

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

There were no significant changes in the composition, allocation of responsibilities or compensation of the Board of Directors.

Events that occurred after the reporting period

The material events after the reporting period which have a bearing on the understanding of the consolidated financial statements for the year ended 31 December 2017, are disclosed in note 32 of the consolidated financial statements.

Recommendation regarding the distribution of profits

The Company aims to pay out in the form of dividends between 40% and 70% of its consolidated net profit adjusted for non-cash items if warranted. The Board will recommend the payment of a final dividend for the year ended 31 December 2017 at its meeting to be held subsequent to the date of this report.

Independent Auditors

The decision about re-appointment of the Company's and the Group's auditors and giving authority to the Board of Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

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 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 together with any other regulatory announcements relating to financial performance. 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 is in 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 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 (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 Depositary 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.

As at 31 December 2017, the Company is aware of the following interests in its share capital:

Shareholders	**%**
Free float	60.8%
Zarenkov family	30.7%
Baring Vostok Funds	5.7%
Own shares acquired by the Group	2.8%
Total	**100%**

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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:

(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, 6 April 2018

Statement of the members of the Board of Directors and management of the Company

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') for the year ended 31 December 2017, the names of which are listed below, confirm that, to the best of our knowledge:

(a) The consolidated financial statements for the year ended 31 December 2017 on pages 17 to 73:

(i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law;

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

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

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

6 April 2018

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Independent Auditors' 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 on pages 17 to 73, and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and of its consolidated cash flows for the year then ended 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, as amended from time to time (the "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 "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code"), and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, 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.

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Key Audit Matters

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.

<table>
<tr><td colspan="2"><u>Early adoption of IFRS 15 – Revenue from contracts with customers</u></td></tr>
<tr><td colspan="2">Refer to notes 2(e), 3(h), 6 to the consolidated financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group has early adopted IFRS 15 “Revenue from Contracts with Customers” with a date of initial application of 1 January 2017. The Group has applied IFRS 15 using the cumulative effect method.

As a result, the Group has changed its accounting policy for revenue recognition, specifically for the Residential development segment as follows:
- Following the amendments to the federal law 214-FZ, effective 1 January 2017, revenue from sales of units in residential properties under share participation agreements is recognized over time;
- The Group adjusts the promised amount of consideration from customers for the 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.

We identified the early adoption of IFRS 15 as a key audit matter because of:
- New estimates and judgments affecting the amount and timing of revenue recognized, including the impact of laws regulating the Group’s contracts with customers;
- Increased complexity in relation to measurement of revenue;
- Extensive new disclosures required by the new standard.</td><td>We evaluated the Group’s revenue accounting policies related to measurement and recognition of revenue in accordance with IFRS 15.

Among other procedures, we tested the accuracy of construction budgets for a sample of projects, by reviewing variance analysis performed by the Group.

We performed the following audit procedures to evaluate key judgements and assumptions underlying the calculations of the revenue amount and the significant financing component recognized for the year and to date:
- We tested the inputs supporting the calculations, including payment schedules, planned construction costs and measure of progress, by agreeing them to appropriate sources such as contracts with customers and construction budgets;
- We evaluated whether the discount rates applied by the Group reflect the credit characteristics of the party receiving financing in the contract at contract inception;
- We recalculated the revenue and significant financing component for a sample of contracts.
- We recalculated cost of sales related to the revenue recognized over time, considering the portion of share participation agreements concluded with customers in respective residential properties.

We have also considered the adequacy of the Group’s disclosures in accordance with requirements of IFRS 15.</td></tr>
</table>

Valuation of parking places	
Refer to note 17 to the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
The balance of parking places is increasing year on year. Due to the current economic environment, the demand for parking places is rather low. Therefore, the parking places' sales are much slower than the sales of other types of the Group's inventory. In the consolidated financial statements, the parking places (finished parking places and parking places under construction) are stated at the lower of cost and net realisable value (i.e. the forecasted selling price less remaining costs to build and sell). The assessment of the net realisable value of the parking places depends on the Group's estimate of forecasted selling prices and building costs. Accordingly, a change in the Group's estimate of selling prices and building costs could have a material impact on the carrying value of parking places in the Group's consolidated financial statements. Thus, there is a risk that parking places may be overstated as at the reporting date. We identified the valuation of parking places as a key audit matter due to: - Significant carrying amount of parking places as at the reporting date; - Estimates and judgments affecting the net realisable value; - Complex calculations performed by the Group for the purpose of estimation of the net realisable value of the parking places.	Among other procedures, we tested the accuracy of construction budgets for a sample of projects, by reviewing variance analysis performed by the Group. We also assessed the model used by the Group to calculate the net realisable value by: - testing the Group's expected period of sales of parking places by comparing it with years of turnover of parking places determined based on historical information on contracts entered into with customers; - assessing the appropriateness of inflation rates used by comparing them to external independent sources; - assessing the appropriateness of discount rates involving our own valuation specialists; - challenging the Group's forecasted selling prices by comparing the forecasted and actual selling prices for a sample of the parking places; - assessing the reasonableness of the Group's selection of similar parking places, in cases where there was no historical information on sales of certain parking places; - testing the Group's forecasted costs to complete by comparing them to the construction budgets. Our audit work was focused on the sites with lower turnover of parking places that are considered most sensitive to the Group's assumptions. We also considered the adequacy of the Group's disclosures on the allowance for obsolete inventory and assessed whether they meet the requirements of the relevant accounting standards.

Other information

The Board of Directors is responsible for the other information. The other information comprises the consolidated management report (but does not include the consolidated financial statements and our auditors' report thereon), which we obtain prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

With regards to the consolidated management report, our report is presented in the "*Report on other legal and regulatory requirements*" section.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the 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 there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 auditors' 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 auditors' 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 true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

Report on other regulatory and legal requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of EU Regulation 537/2014 we provide the following information, which is required in addition to the requirements of ISAs.

Date of our appointment and period of engagement

We were first appointed auditors of the Group by the General Meeting of the Company's members on 27 July 2017. Our total uninterrupted period of engagement is one year covering the year ended 31 December 2017.

Consistency of the additional report to the Audit Committee

Our audit opinion is consistent with the additional report presented to the Audit Committee dated 4 April 2018.

Provision of non-audit services ("NAS")

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

Other legal requirements

Pursuant to the additional requirements of law L.53(I)2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the consolidated management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.
- In our opinion, the information included in the corporate governance report in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is included as a specific section of the consolidated management report, has been prepared in accordance with the requirements of the Companies Law, Cap, 113, and is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L53(I)/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 the Company and its subsidiaries for the year ended 31 December 2016 were audited by another auditor, who expressed an unmodified opinion on those statements on 3 April 2017.

The engagement partner on the audit resulting in this independent auditors' report is Antonis Shiammoutis.

Antonis Shiammoutis

Certified Public Accountant and Registered Auditor

for and on behalf of

KPMG Limited

Certified Public Accountants and Registered Auditors

14 Esperidon Street

1087 Nicosia, Cyprus

6 April 2018

mln RUB	Note	2017	2016
Revenue	6	70 645	49 022
Cost of sales		(52 644)	(36 813)
Gross profit		18 001	12 209
General and administrative expenses	7	(5 052)	(4 454)
Selling expenses		(2 930)	(1 984)
Other income/(expenses), net	8	366	(753)
Results from operating activities		10 385	5 018
Finance income	11	1 712	1 857
Finance costs	11	(1 680)	(319)
Net finance income		32	1 538
Profit before income tax		10 417	6 556
Income tax expense	12	(2 524)	(1 654)
Profit for the year		7 893	4 902
Total comprehensive income for the year		7 893	4 902
Profit attributable to:			
Owners of the Company		7 890	4 902
Non-controlling interest		3	-
Profit for the year		7 893	4 902
Total comprehensive income attributable to:			
Owners of the Company		7 890	4 902
Non-controlling interest		3	-
Total comprehensive income for the year		7 893	4 902
Earnings per share			
Basic and diluted earnings per share (RUB)	22	27,15	16,77

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 23 to 73.

mln RUB	Note	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	13	3 085	2 889
Investment property	14	333	561
Other long-term investments	15	739	545
Trade and other receivables	18	5 867	5 063
Deferred tax assets	16	2 173	1 414
Total non-current assets		**12 197**	**10 472**
Current assets			
Inventories under construction	17	55 441	47 742
Inventories - finished goods	17	21 458	22 580
Other inventories	17	1 223	939
Advances paid to suppliers	18	10 664	9 970
Contract assets	18	1 187	-
Trade receivables	18	13 551	7 341
Other receivables	18	4 782	4 098
Short-term investments	19	185	793
Cash and cash equivalents	20	14 125	10 206
Total current assets		**122 616**	**103 669**
Total assets		**134 813**	**114 141**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	2	1
Share premium	21	15 486	15 509
Reserve for own shares	21	(1 606)	(440)
Share options reserve	21	221	-
Retained earnings		48 702	43 052
Total equity attributable to equity holders of the Company		**62 805**	**58 122**
Non-controlling interest		-	28
Total equity		**62 805**	**58 150**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 23 to 73.

mln RUB	**Note**	**2017**	**2016**
Non-current liabilities			
Loans and borrowings	23	21 418	12 415
Trade and other payables	25	2 546	859
Provisions	24	102	107
Deferred tax liabilities	16	2 941	1 557
Total non-current liabilities		**27 007**	**14 938**
Current liabilities			
Loans and borrowings	23	2 569	5 639
Trade and other payables	25	14 920	10 083
Contract liabilities	25	25 649	-
Advances from customers	25	-	23 583
Provisions	24	1 863	1 748
Total current liabilities		**45 001**	**41 053**
Total equity and liabilities		**134 813**	**114 141**

These Consolidated Financial Statements were approved by the Board of Directors on 6 April 2018 and were signed on its behalf by:

Charalampos Avgousti
Director

Marios Theodosiou
Director

mln RUB	Share capital	Share premium	Reserve for own shares	Share options reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the Company							
Balance at 1 January 2016	1	15 438	(440)	-	39 697	54 696	147	**54 843**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	4 902	4 902	-	**4 902**
Total comprehensive income for the year	-	-	-	-	4 902	4 902	-	**4 902**
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(1 504)	(1 504)	-	**(1 504)**
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Changes in ownership interest in subsidiaries	-	-	-	-	28	28	(119)	**(91)**
Other reclassifications	-	71	-	-	(71)	-	-	**-**
Total transactions with owners	-	71	-	-	(1 547)	(1 476)	(119)	**(1 595)**
Balance at 31 December 2016	**1**	**15 509**	**(440)**	**-**	**43 052**	**58 122**	**28**	**58 150**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 23 to 73.

mln RUB	Share capital	Share premium	Reserve for own shares	Share options reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the Company							
Balance at 1 January 2017, as previously reported	1	15 509	(440)	-	43 052	58 122	28	**58 150**
Impact of change in accounting policy	-	-	-	-	302	302	-	**302**
Restated balance at 1 January 2017	1	15 509	(440)	-	43 354	58 424	28	**58 452**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	7 890	7 890	3	**7 893**
Total comprehensive income for the year	-	-	-	-	7 890	7 890	3	**7 893**
Transactions with owners, recorded directly in equity								
Issuance of preference shares	1	-	-	-	-	1	-	**1**
Dividends to equity holders	-	-	-	-	(2 542)	(2 542)	-	**(2 542)**
Equity-settled share-based payment	-	-	-	221	-	221	-	**221**
Acquisition of own shares	-	-	(1 189)	-	-	(1 189)	-	**(1 189)**
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	(31)	**(31)**
Other reclassifications	-	(23)	23	-	-	-	-	**-**
Total transactions with owners	1	(23)	(1 166)	221	(2 542)	(3 509)	(31)	(3 540)
Balance at 31 December 2017	**2**	**15 486**	**(1 606)**	**221**	**48 702**	**62 805**	**-**	**62 805**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 23 to 73.

mln RUB	Notes	2017	2016
OPERATING ACTIVITIES:			
Profit for the year		7 893	4 902
Adjustments for:			
Depreciation	13, 14	340	434
Gain on disposal of property, plant and equipment	8	(113)	(52)
Gain on disposal of investment property	8	(27)	(267)
Decrease of impairment of investment property	8	-	(41)
Impairment loss on inventories	8	819	430
Equity-settled share-based payment transactions	10	221	-
Finance income, net	11	(32)	(1 538)
Income tax expense	12	2 524	1 654
Cash from operating activities before changes in working capital and provisions		**11 625**	**5 522**
Change in inventories		(1 009)	(1 780)
Change in accounts receivable		(6 953)	(3 746)
Change in accounts payable		161	7 812
Change in provisions	24	112	(1 808)
Change in contract assets	6	(203)	-
Change in contract liabilities	6	1 329	-
Cash generated from operating activities		**5 062**	**6 000**
Income tax paid		(2 381)	(1 960)
Interest paid		(2 257)	(2 603)
Net cash from operating activities		**424**	**1 437**
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		294	93
Proceeds from disposal of investment property		232	-
Interest received		918	1 153
Acquisition of property, plant and equipment		(707)	(711)
Loans given		(60)	(435)
Loans repaid		93	25
Acquisition of other investments	15, 19	(263)	(265)
Disposal of other investments	15, 19	385	507
Net cash from investing activities		**892**	**367**
FINANCING ACTIVITIES:			
Acquisition of non-controlling interest		(29)	(94)
Proceeds from borrowings		15 889	9 016
Repayments of borrowings		(10 009)	(10 404)
Acquisition of own shares		(628)	-
Dividends paid		(2 542)	(1 504)
Net cash from financing activities		**2 681**	**(2 986)**
Net increase/(decrease) in cash and cash equivalents		3 997	(1 182)
Cash and cash equivalents at the beginning of the year		10 206	11 532
Effect of exchange rate fluctuations on cash and cash equivalents		(78)	(144)
Cash and cash equivalents at the end of the year	20	**14 125**	**10 206**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 23 to 73.

1 Background

a) Organisation and operations

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

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

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

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

The Company's registered office is located at:

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

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

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

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

b) Business environment

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

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

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

2 Basis of preparation

a) Statement of compliance

These consolidated 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.

b) Basis of measurement

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

c) Functional and presentation currency

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

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

d) Use of estimates and judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, as well as information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 6– revenue;
- Note 10– share based payments;
- Note 17– inventories – barter transactions, obsolescence provisions;
- Note 24– provisions;
- Note 29– contingencies.

e) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group has early adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2017. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group has applied IFRS 15 using the cumulative effect method - i.e. by recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of equity at 1 January 2017. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed separately if they are different from those under IFRS 15.

The details of the significant changes and quantitative impact of the changes are set out below.

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

The Group concludes sale contracts with its customers when the properties are either completed or are in the process of construction. Properties undergoing construction are sold via share participation agreements (in accordance with the requirements of the Federal Law No. 214-FZ "About participation in the funding of construction of multicompartment buildings") or via housing cooperatives.

Previously, the Group recognised revenue when persuasive evidence existed that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods, and the amount of revenue could be measured reliably. Transfer of risks and rewards may have varied depending on the individual terms of the sales contracts.

In accordance with IFRS 15, the Group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

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

Effective 1 January 2017, the amendments were made to the federal law No. 214-FZ, according to which in case real estate developer properly fulfils its obligations under share participation agreement, the buyer has no right to terminate the contract extrajudicially. Following the amendments made to the federal law No.214-FZ, the Group has an enforceable right to payment under the 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 transfer of control of real estate property over time and satisfies performance obligation and recognises revenue over time.

The application of IFRS 15 does not affect the timing of revenue recognition for sales via housing cooperatives and for sales of completed properties not contracted before their completion.

Previously, revenue from sale of real estate properties was measured at the fair value of the consideration received or receivable.

In accordance with IFRS 15, as the performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price. In determining the transaction price, the Group adjusts the promised amount of consideration for the effects 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.

Revenue from construction services

The application of IFRS 15 does not have a significant impact on the accounting for contracts for provision of construction services and contracts for construction of an asset, previously falling within the scope of IAS 11 "Construction contracts".

Impacts on financial statements

The following tables summarises the impacts of adopting IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2017.

Consolidated statement of profit or loss and other comprehensive income

2017 **mln RUB**	**As reported**	**Adjustments**	**Balances without adoption of IFRS 15**
Revenue	70 645	(11 744)	58 901
Cost of sales	(52 644)	8 752	(43 892)
Gross profit	18 001	(2 992)	15 009
Other income/(expenses), net	366	(192)	174
Finance income	1 712	(79)	1 633
Finance costs	(1 680)	909	(771)
Net finance income	32	830	862
Other	(7 982)	-	(7 982)
Income tax expense	(2 524)	471	(2 053)
Profit for the year	7 893	(1 883)	6 010
Total comprehensive income for the year	7 893	(1 883)	6 010
Earnings per share			
Basic and diluted earnings per share (RUB)	27,15	(6,5)	20,65

Consolidated statement of financial position

2017 **mln RUB**	**As reported**	**Adjustments**	**Balances without adoption of IFRS 15**
Current assets			
Inventories under construction	55 441	3 198	58 639
Inventories - finished goods	21 458	3 009	24 467
Trade receivables and contract assets	14 738	(5 097)	9 641
Other	30 979	-	30 979
Total current assets	**122 616**	**1 110**	**123 726**
Retained earnings	48 702	(2 185)	46 517
Other	14 103	-	14 103
Total equity	**62 805**	**(2 185)**	**60 620**
Non-current liabilities			
Deferred tax liabilities	2 941	(547)	2 394
Other	24 066	-	24 066
Total non-current liabilities	**27 007**	**(547)**	**26 460**
Current liabilities			
Contract liabilities and advances received	25 649	3 958	29 607
Trade and other payables	14 920	(116)	14 804
Other	4 432	-	4 432
Total current liabilities	**45 001**	**3 842**	**48 843**

Consolidated statement of cash flows

2017	**As reported**	**Adjustments**	**Balances without adoption of IFRS 15**
mln RUB			
OPERATING ACTIVITIES:			
Profit for the year	7 893	(1 883)	6 010
Finance income, net	(32)	(830)	(862)
Income tax expense	2 524	(471)	2 053
Other	1 240		1 240
Cash from operating activities before changes in working capital and provisions	**11 625**	**(3 184)**	**8 441**
Change in inventories	(1 009)	(6 207)	(7 216)
Change in accounts receivable	(6 953)	5 097	(1 856)
Change in contract liabilities	1 329	3 958	5 287
Change in accounts payable	161	(116)	45
Income tax paid	(2 381)	449	(1 932)
Other	(2 348)	3	(2 345)
Net cash from operating activities	**424**	**-**	**424**

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.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group's significant subsidiaries are disclosed in note 31.

(iii) Transactions eliminated on consolidation

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

b) Foreign currency

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

c) Financial instruments

(i) Financial assets

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

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Loans and receivables

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

Cash and cash equivalents

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

(ii) Financial liabilities

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

d) Advances received and paid

Due to the nature of its activities the Group receives significant advances from customers, and makes significant prepayments to sub-contractors and other suppliers. In the comparative period, advances received and paid were recognised on an undiscounted basis. Following the adoption of IFRS 15, the Group adjusts advances received 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) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. No estimates in respect of plant and equipment were revised in 2017.

f) Inventories

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

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

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

Since 1 January 2017, for items on which revenue is recognized over time, real estate property under construction is treated as 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, including finance costs.

The cost of inventories, other than construction work in progress intended for sale, is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity.

Transfer from real estate properties under construction to the stock of finished goods occurs when the respective building is approved by the State commission established by the local regulating authorities for acceptance of finished buildings.

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

g) 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.

h) Revenue

The Group has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed separately if they are different from those under IFRS 15 and the impact of changes is disclosed in note 2e)

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

For sales contracted under share participation agreements concluded with customers before 1 January 2017 the control is considered to have been transferred to individual buyers when the construction is completed and the building has been approved by the State commission for acceptance of finished buildings. Effective 1 January 2017, the amendments were made to the federal law 214-FZ, according to which in case real estate developer properly fulfills its obligations under share participation agreement, the buyer has no right to terminate the contract extrajudicially. Following the amendments made to the federal law No.214-FZ, the Group has an enforceable right to payment under the 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 transfer of control of real estate property over time and satisfies performance obligation and recognises revenue over time.

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 complete satisfaction of that performance obligation using the input method. 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 this 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 recognized only with respect to apartments which are contracted under share participation agreements concluded on or after 1 January 2017. Costs used to measure progress towards complete satisfaction of performance obligation include costs of design and construction of a multicompartment building, the building's share of costs to construct social infrastructure and public utilities' objects within a construction project of which the building is a part of, and exclude the cost of acquisition of land plots. The cost of acquisition of land plot is recognized in cost of sales on the same measure as respective revenue.

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 average mortgage rate for contract assets and the Group's incremental borrowing rate for contract liabilities.

Except as described in note 3(f), finance cost, recognized as a result of separating the significant financing component are accounted as borrowing costs incurred specifically for the purpose of obtaining a qualifying asset and are capitalized into the cost of real estate properties under construction.

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.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue was recognised when persuasive evidence existed that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods, and the amount of revenue could be measured reliably.

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

(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 generate or enhance resources of the entity that will be used in satisfying 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 recognized 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 recognize expected losses from onerous contract as an expense immediately.

In the comparative period, the Group recognised the following assets and liabilities related to construction contracts within the scope of IAS 11:

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

(iii) Revenue from sale of construction materials

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

(iv) Rental income

Rental income from stand-alone and built-in commercial properties (see note 3(f)) is recognised in the consolidated statement of profit or loss and other comprehensive income over time using output method on the basis of time elapsed over the term of the lease.

i) 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.

j) New Standards and Interpretations

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2017, and have not been applied in preparing this consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IFRS 9 *Financial Instruments* adopted by the EU will be effective for annual periods beginning on or after 1 January 2018 and will replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The Group does not intend to adopt this standard early.

The Group has assessed the estimated impact that the initial application of IFRS 9 will have on its consolidated financial statements. The estimated impact of the adoption of these standards on the Group's equity as at 1 January 2018 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standards at 1 January 2018 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items

i. Classification – Financial assets and Financial liabilities

IFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets and liabilities are managed and their cash flow characteristics.

IFRS 9 introduces three classification categories for financial assets: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. The standard eliminated the categories of held to maturity, loans and receivables and available for sale that previously existed in IAS 39.

Based on its assessment, the Group does not expect that the new classification requirements will have a material impact on its accounting for financial assets including trade receivables, loans, and investments in debt securities.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities, except for financial liabilities at fair value through profit or loss. Since the Group has not designated any financial liabilities at fair value through profit or loss, it does not expect that the new classification requirements will have a material impact on the classification of its financial liabilities at 1 January 2018.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement about how changes in economic factors affect expected credit losses, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost and to contract assets that result from transactions that are within the scope of IFRS 15.

Under IFRS 9, loss allowances will be 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;

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

The Group elected to use simplified approach to measure loss allowance at an amount equal to lifetime expected credit losses 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.

The Group has been measuring impairment losses in respect of financial assets measured at amortised cost as the difference between their carrying amounts and the present value of the estimated future cash flows discounted at the assets' original effective interest rates, in accordance with the requirements of IAS 39. Such an approach corresponds to the measurement of expected credit losses in accordance with IFRS 9. The Group does not expect that the application of IFRS 9 will result in any significant increase of impairment of financial assets measured at amortised cost as compared to impairment recognised under IAS 39.

In accordance with IAS 39, the Group has been establishing an allowance for impairment of trade and other receivables and loans given. The main components of this allowance is a specific loss component that relates to individually significant exposures. The Group does not expect that the application of IFRS 9 will result in any significant increase of impairment of trade and other receivables, contract assets that result from transactions that are within the scope of IFRS 15 as well as loans given as compared to impairment recognised under IAS 39.

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

  The standard is effective for annual periods beginning on or after 1 January 2019. The Group does not plan to early adopt IFRS 16 in its consolidated financial statements for the year ended 31 December 2017.

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

4 Determination of fair values

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

a) Non-derivative financial assets

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

b) Derivatives

For the contracts concluded before April 2015 the Group denominates its trade receivables from sales of commercial and residential properties in conditional units that are linked to RUB/USD exchange rate. The upper and lower ranges of possible fluctuations of exchange rate are fixed in the sales contracts.

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

Starting from April 2015 all sales are denominated in RUB.

c) Non-derivative financial liabilities

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

5 Operating segments

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

- *Residential development*. Includes construction of residential real estate including flats, built-in premises and parking places.
- *Construction services*. Includes construction services for third parties and for internal purpose.
- *Other operations.* Include selling of construction materials, construction of stand-alone premises for commercial use and various services related to sale and servicing of premises. None of these meet any of the quantitative thresholds for determining reportable segments during the year ended 31 December 2017 or 2016.

Performance of the reporting segments is measured by the management based on gross profits, excluding the impact of adopting IFRS 15, 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 (2016: advances from customers) as the key indicators relevant for segment performance measurement. Therefore, other assets and liabilities are not allocated between the segments.

a) Information about reportable segments

	Residential development		Construction services		Other		Total	
mln RUB	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
External revenues (for residential development - recognised at point of time)	43 220	33 499	9 024	8 526	6 657	6 997	**58 901**	**49 022**
Inter-segment revenue	-	-	13 341	9 900	584	581	**13 925**	**10 481**
Total segment revenue	43 220	33 499	22 365	18 426	7 241	7 578	**72 826**	**59 503**
Gross profit	14 545	11 434	358	605	134	170	**15 037**	**12 209**
Interest in cost of sales	2 049	1 241	-	-	-	-	**2 049**	**1 241**
Gross profit adjusted for interest in cost of sales	16 594	12 675	358	605	134	170	**17 086**	**13 450**
Gross profit adjusted, %	38%	38%						
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Reportable segment assets: inventories	81 633	69 436	779	622	1 917	1 203	**84 329**	**71 261**
Total liabilities for reportable segments: contract liabilities (advances from external customers)	29 360	22 292	35	1 233	113	69	**29 508**	**23 594**

b) Geographical information

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

	Revenues		Non-current assets	
mln RUB	**2017**	**2016**	**2017**	**2016**
St. Petersburg metropolitan area	33 930	31 908	6 311	5 926
Moscow metropolitan area	24 971	17 114	5 886	4 546
	58 901	**49 022**	**12 197**	**10 472**

c) Major customer

Revenue from one customer of the Group, recognised within the segment "Construction services", amounted to RUB 3 274 million or 6% of the Group's total revenue for the year ended 31 December 2017 (revenue from one customer of the Group, recognised within the segment "Construction services", amounted to RUB 3 002 million or 6% of the Group's total revenue for the year ended 31 December 2016).

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

mln RUB

	2017	2016
Revenues		
Total revenue for reportable segments	72 826	59 503
Additional revenue due to early adoption of IFRS 15	11 744	-
Elimination of inter-segment revenue	(13 925)	(10 481)
Consolidated revenue	**70 645**	**49 022**
Profit or loss		
Gross profit for reportable segments	15 037	12 209
Additional profit due to early adoption of IFRS 15	2 964	-
General and administrative expenses	(5 052)	(4 454)
Selling expenses	(2 930)	(1 984)
Other expenses, net	366	(753)
Finance income	1 712	1 857
Finance costs	(1 680)	(319)
Consolidated profit before income tax	**10 417**	**6 556**

	2017	2016
Assets		
Total assets for reportable segments: inventories	84 329	71 261
Adjustment due to early adoption of IFRS 15	(6 207)	-
Total inventories	**78 122**	**71 261**
Liabilities		
Total liabilities for reportable segments: advances from external customers	29 508	23 594
Adjustment due to early adoption of IFRS 15	(3 958)	-
Total contract liabilities and advances from external customers	**25 550**	**23 594**

6 Revenue

mln RUB	2017	2016
Sale of flats - transferred at a point in time	33 379	31 487
Sale of flats - transferred over time	16 270	-
Sale of built-in commercial premises - transferred at a point in time	1 940	1 104
Sale of built-in commercial premises - transferred over time	546	-
Sale of parking places - transferred at a point in time	2 723	908
Sale of parking places - transferred over time	106	-
Total revenue - segment Residential development (note 5 (a))	43 220	33 499
Effect of revenue recognised under IFRS 15	11 744	-
Long term construction contracts - transferred over time	8 105	7 277
Short term construction services - transferred over time	919	1 249
Total revenue of segment Construction services (note 5 (a))	9 024	8 526
Sale of construction materials - transferred at a point in time	4 146	3 228
Sale of stand-alone commercial premises - transferred at a point in time	479	205
Rental revenue transferred over time	698	825
Other revenue - transferred at a point in time	1 334	2 739
Total other revenue (note 5 (a))	6 657	6 997
Total revenues from contracts with customers	**70 645**	**49 022**

Contract balances

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

	2017	
mln RUB	31 December	1 January
Trade receivables	19 291	12 323
Contract assets	1 187	984
Contract liabilities	(25 649)	(24 320)

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, concluded since 1 January 2017 and long-term construction contracts. The Contract assets are transferred to Trade receivables when the rights become unconditional.

The Contract liabilities relate to the advance consideration received from customers.

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

	2017	
mln RUB	Contract assets	Contract liabilities
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	-	20 514
Increases due to cash received, excluding amounts recognized as revenue during the period	-	(21 843)
Transfers from contract assets recognised at the beginning of the period to receivables	(843)	-
Increase as a result of changes in the measure of progress	1 046	-
Total change in the reporting period	**203**	**(1 329)**

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.

mln RUB	2018	2019	2020	2021	Total
Residential development	8 215	6 229	811	-	**15 255**
Construction services	9 202	2 002	545	9	**11 758**
Total	**17 417**	**8 231**	**1 356**	**9**	**27 013**

The Group applies 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	2017	2016
Payroll and related taxes	3 676	3 314
Services	405	295
Audit and consulting services	150	141
Bank fees and commissions	122	133
Other taxes	162	136
Materials	57	62
Depreciation	47	62
Repair and maintenance	89	37
Other	344	274
Total	**5 052**	**4 454**

Remuneration of the statutory audit firm for the year ended 31 December 2017 amounted to RUB 4.3 million for audit services (2016: RUB 2.6 million) and RUB 1.7 million for other assurance services (2016: nill). Remuneration of other members of the statutory auditors' network for the year ended 31 December 2017 amounted to RUB 11.1 million for audit services (2016: RUB 11.6 million) and RUB 8.4 million for non-audit services (2016: RUB 4 million).

8 Other income/ (expenses), net

mln RUB		
Other income	**2017**	**2016**
Gain on disposal of property, plant and equipment	113	52
Gain on disposal of investment property	27	267
Gain on disposal of inventory	2	-
Fees and penalties received	17	42
Decrease of impairment of investment priperty (Note 14)	-	41
Other income	1 186	21
	1 345	**423**
Other expenses		
Impairment loss on inventories (Note 17)	(819)	(430)
Other expenses	(149)	(363)
Loss on disposal of inventories	-	(312)
Charity	(11)	(71)
	(979)	**(1 176)**
Other income/(expenses), net	**366**	**(753)**

Other income for the year ended 31 December 2017 includes fees received from a financial institution in respect of the issuance of the Company's GDRs.

9 Personnel costs

mln RUB	**2017**	**2016**
Wages and salaries	5 832	5 704
Contributions to State pension fund	1 340	1 193
Equity-settled share based payments	221	-
	7 393	**6 897**

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 2017 personnel costs and related taxes included in cost of production amounted to RUB 3 004 million (year ended 31 December 2016: RUB 2 907 million). The remaining part of personnel expenses was subsumed within general and administrative expenses (see note 7) and selling expenses in the amount of RUB 713 million (year ended 31 December 2016: RUB 676 million).

The average number of staff employed by the Group during the year ended 31 December 2017 was 4 558 employees (2016: 4 236 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 commences from 1 July 2017 and will last up to 31 December 2021.

The Group recognised employee benefit expense of RUB 221 million arising from share-based payment arrangements for the year ended 31 December 2017 with the corresponding increase in equity as of 31 December 2017.

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.

During the year ended 31 December 2017, no options have been exercised since the vesting condition in respect of the market price of the Group's GDRs has not been met.

11 Finance income and finance costs

mln RUB	2017	2016
Recognised in profit or loss		
Finance income		
Interest income on bank deposits	505	839
Interest income on loans and receivables	413	314
Unwinding of discount on trade receivables	778	638
Gain on write-off of accounts payable	16	55
Decrease in allowance for doubtful accounts receivable	-	11
Finance income	**1 712**	**1 857**
Finance costs		
Interest expenses (financing component under IFRS 15)	(909)	-
Increase in allowance for doubtful accounts receivable	(301)	-
Loss on write-off of accounts receivable	(113)	(71)
Net foreign exchange loss	(79)	(78)
Interest expense on finance leases	(3)	(10)
Increase in allowance for investments	(260)	(137)
Interest expense on loans	-	(2)
Other finance costs	(15)	(21)
Finance costs	**(1 680)**	**(319)**
Net finance income recognised in profit or loss	**32**	**1 538**

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

mln RUB	2017	2016
Borrowing costs capitalised during the year	4 150	2 625
Weighted average capitalisation rate	9,8%	13,8%

During the year ended 31 December 2017, borrowing costs and significant financing component that have been capitalised into the cost of real estate properties under construction in the amount of RUB 3 871 million (year ended 31 December 2016: RUB 1 241 million), were included into the cost of sales upon completion of construction and sale of those properties (borrowing costs in the amount of RUB 2 247 million, significant financing component in the amount of RUB 1 624 million).

12 Income tax expense

For the period from 1 January to 4 April 2017, the Company's applicable tax rate under the Income Tax (0%/10%) (Guernsey) Law, 2007 was 0%. Effective from 5 April 2017, the Company's applicable tax rate under the Cyprus Income Tax Law became 12,5%. The Cypriot subsidiaries' applicable tax rate is 12,5%. For the Russian companies of the Group the applicable income tax rate is 20% (2016: 20%).

mln RUB	2017	2016
Current tax expense		
Current year	1 931	2 124
Under-provided/(over-provided) in prior year	44	38
	1 975	2 162
Deferred tax expense		
Origination and reversal of temporary differences	549	(508)
Income tax expense	**2 524**	**1 654**

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

mln RUB	2017	2016
Profit before income tax	10 417	6 556
Theoretical income tax at statutory rate of 20%	2 083	1 311
Adjustments due to:		
Effect of 16,5% tax rate (2016: 15,5% tax rate) *	(117)	(260)
Expenses not deductible and income not taxable for tax purposes, net	558	603
Income tax expense	**2 524**	**1 654**

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

13 Property, plant and equipment

During the year ended 31 December 2017, depreciation expense of RUB 261 million (year ended 31 December 2016: RUB 321 million) has been charged to cost of sales, RUB 45 million (year ended 31 December 2016: RUB 44 million) to cost of real estate properties under construction, RUB 10 million (year ended 31 December 2016: RUB 4 million) to selling expenses and RUB 47 million (year ended 31 December 2016: RUB 62 million) to general and administrative expenses.

a) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2017 the net book value of leased plant and machinery was RUB 187 million (31 December 2016: RUB 205 million). The leased equipment secures lease obligations.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
Cost							
Balance at 1 January 2016	938	2 462	110	163	117	533	**4 323**
Additions	141	105	29	24	-	412	**711**
Reclassification from inventories	171	-	-	-	-	-	**171**
Disposals	(119)	(143)	(5)	(8)	-	-	**(275)**
Transfers	24	1	-	10	-	(35)	**-**
Balance at 31 December 2016	1 155	2 425	134	189	117	910	**4 930**
Balance at 1 January 2017	1 155	2 425	134	189	117	910	**4 930**
Additions	204	135	18	48	-	302	**707**
Reclassification from inventories	33	-	-	-	-	-	**33**
Disposals	(246)	(51)	(13)	(20)	-	-	**(330)**
Transfers	30	-	-	-	-	(30)	**-**
Balance at 31 December 2017	1 176	2 509	139	217	117	1 182	**5 340**
Depreciation and impairment losses							
Balance at 1 January 2016	(255)	(1 430)	(60)	(99)	-	-	**(1 844)**
Depreciation for the year	(135)	(246)	(23)	(27)	-	-	**(431)**
Disposals	94	129	3	8	-	-	**234**
Balance at 31 December 2016	(296)	(1 547)	(80)	(118)	-	-	**(2 041)**
Balance at 1 January 2017	(296)	(1 547)	(80)	(118)	-	-	**(2 041)**
Depreciation for the year	(129)	(189)	(19)	(26)	-	-	**(363)**
Disposals	87	41	10	11	-	-	**149**
Balance at 31 December 2017	(338)	(1 695)	(89)	(133)	-	-	**(2 255)**
Carrying amounts							
Balance at 1 January 2016	683	1 032	50	64	117	533	**2 479**
Balance at 31 December 2016	859	878	54	71	117	910	**2 889**
Balance at 1 January 2017	859	878	54	71	117	910	**2 889**
Balance at 31 December 2017	838	814	50	84	117	1 182	**3 085**

14 Investment property

mln RUB	2017	2016
Cost		
Balance at 1 January	806	1 456
Transfers from inventories	-	292
Disposals	(210)	(942)
Balance at 31 December	**596**	**806**
Accumulated depreciation and impairment losses		
Balance at 1 January	(245)	(918)
Depreciation for the year	(22)	(42)
Impairment gain/(loss)	-	41
Disposals	4	674
Balance at 31 December	**(263)**	**(245)**
Carrying amount at 1 January	561	538
Carrying amount at 31 December	**333**	**561**

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 2017, fair value amounted to RUB 458 million (31 December 2016: RUB 771 million), which was determined based on discounted cash flows from the use of the property using the income approach. During the year ended 31 December 2017, the Group has recognised no impairment loss for properties (year ended 31 December 2016: gain from reversal of impairment in amount of RUB 41 million).

15 Other long-term investments

mln RUB	2017	2016
Bank promissory notes	652	541
Loans, at amortised cost	87	4
	739	**545**

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

As at 31 December 2017 bank promissory notes in the amount of RUB 451 million are pledged as security of secured bank loans (as at 31 December 2016: RUB 541 million), 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:

	Assets		Liabilities		Net	
mln RUB	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Property, plant and equipment	318	318	(738)	(629)	(420)	(311)
Investments	273	9	(23)	-	250	9
Inventories	3 775	1 931	(994)	(865)	2 781	1 066
Contract assets and trade and other receivables	504	646	(4 842)	(2 536)	(4 338)	(1 890)
Deferred expenses	239	139	(555)	(469)	(316)	(330)
Loans and borrowings	172	30	(28)	(9)	144	21
Provisions	100	119	44	8	144	127
Contract liabilities and trade and other payables	2 032	1 625	(1 166)	(702)	866	923
Tax loss carry-forwards	150	134	(1)	(3)	149	131
Other	73	138	(101)	(27)	(28)	111
Tax assets/(liabilities)	7 636	5 089	(8 404)	(5 232)	(768)	(143)
Set off of tax	(5 463)	(3 675)	5 463	3 675	-	-
Net tax assets/(liabilities)	**2 173**	**1 414**	**(2 941)**	**(1 557)**	**(768)**	**(143)**

(b) Unrecognised deferred tax liability

At 31 December 2017 a deferred tax liability arising on temporary differences of RUB 47 494 million (31 December 2016: RUB 44 528 million) related to investments in subsidiaries was not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(c) Movement in temporary differences during the year

mln RUB	1 January 2017	Recognised in profit or loss	Recognised in equty	31 December 2017
Property, plant and equipment	(311)	(109)	-	(420)
Investments	9	241	-	250
Inventories	1 066	1 715	-	2 781
Contract assets and trade and other receivables	(1 890)	(2 448)	-	(4 338)
Deferred expenses	(330)	14	-	(316)
Loans and borrowings	21	123	-	144
Provisions	127	17	-	144
Contract liabilities and trade and other payables	923	19	(76)	866
Tax loss carry-forwards	131	18	-	149
Other	111	(139)	-	(28)
	(143)	**(549)**	**(76)**	**(768)**

mln RUB	1 January 2016	Recognised in profit or loss	31 December 2016
Property, plant and equipment	(72)	(239)	(311)
Investments	14	(5)	9
Inventories	921	145	1 066
Contract assets and trade and other receivables	(1 932)	42	(1 890)
Deferred expenses	(523)	193	(330)
Loans and borrowings	12	9	21
Provisions	179	(52)	127
Contract liabilities and trade and other payables	564	359	923
Tax loss carry-forwards	145	(14)	131
Other	41	70	111
	(651)	**508**	**(143)**

17 Inventories

mln RUB	2017	2016
Inventories under construction		
Own flats under construction	43 595	35 596
Built-in commercial premises under construction	5 809	4 830
Parking places under construction	7 775	8 294
	57 179	**48 720**
Less: Allowance for inventories under construction	(1 738)	(978)
Total inventories under construction	**55 441**	**47 742**
Inventories - finished goods		
Own flats	14 925	16 180
Built-in and stand-alone commercial premises	3 715	3 176
Parking places	3 233	3 650
	21 873	**23 006**
Less: Allowance for inventories - finished goods	(415)	(426)
Total inventories - finished goods	**21 458**	**22 580**
Other inventories		
Construction materials	879	719
Other	347	232
	1 226	**951**
Less: Allowance for other inventories	(3)	(12)
Total other inventories	**1 223**	**939**
Total	**78 122**	**71 261**

a) Barter transactions

Project 1

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

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

The following key assumptions were used by the appraiser:

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

Project 2

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

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

The following key assumptions were used by the appraiser:

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

Project 3

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

The fair value of the investments rights acquired equal to RUB 4 395 million was determined based on discounted cash flows from the construction and sale of properties.

The following key assumptions were used by the appraiser:

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

Project 4

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

The fair value of the investments rights acquired equal to RUB 1 800 million was determined based on discounted cash flows from the construction and sale of properties.

The following key assumptions were used by the appraiser:

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

Accordingly, at 31 December 2017, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013 – 2017 in the amount of RUB 7 372 million, while the remaining balance of RUB 1 170 million is included into finished goods and RUB 482 million - into inventories under construction.

At 31 December 2017, 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 2017 in the amount of RUB 321 million, while the remaining balance of RUB 4 201 million is included into inventories under construction.

At 31 December 2017, 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 2017 in the amount of RUB 592 million, while the remaining balance of RUB 3 803 million is included into inventories under construction.

At 31 December 2017, Project 4 was under construction, therefore no cost of land component was recognised in cost of sales during 2017.

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to the City Authorities. As at 31 December 2017, the cost of such social infrastructure amounts RUB 1 570 million and is included into the balance of finished goods and inventories under construction (31 December 2016: RUB 2 461 million). These costs are recoverable as part of projects they relate to.

b) Allowance for obsolete inventories

The following is movement in the allowance for obsolete inventories:

mln RUB	2017	2016
Balance at 1 January	1 416	986
Impairment loss on inventories (Note 8)	819	430
Reversed in equity due to change in accounting policy	(79)	-
Balance at 31 December	**2 156**	**1 416**

As at 31 December 2017 the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 2 156 million (31 December 2016: RUB 1 416 million) and the respective allowance was recognised in other expenses, see note 8. As at 31 December 2017, the allowance of RUB 2 153 million relates to parking places.

The balance of parking places is equal to RUB 11 008 million as at 31 December 2017 (31 December 2016: RUB 11 944 million). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;
- Discount rates –9,79% per annum;
- Inflation rates – 4,0 – 4,8% per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information of parking places considered analogues.

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

c) Rent out of property classified as inventories

The Group has temporarily rented out a part of certain items of property classified as inventories in these consolidated financial statements. The total carrying value of these items of property was RUB 670 million as at 31 December 2017 (31 December 2016: RUB 909 million). The Group is actively seeking buyers for these properties.

d) Pledges

Inventories with a carrying amount of RUB 9 371 million (31 December 2016: RUB 6 746 million) are pledged as security for borrowings, see note 23.

18 Contract assets, trade and other receivables

mln RUB	**2017**	**2016**
Long-term trade and other receivables		
Trade receivables	5 734	4 970
Advances paid to suppliers	2	8
Other receivables	131	85
	5 867	**5 063**
Short-term trade and other receivables		
Trade receivables	14 016	7 733
Less: Allowance for doubtful trade accounts receivable	(465)	(392)
Trade short-term less allowance	**13 551**	**7 341**
Advances paid to suppliers	10 894	10 058
Less: Allowance for doubtful Advances paid to suppliers	(230)	(88)
Advances paid to suppliers short-term less allowance	**10 664**	**9 970**
VAT recoverable	2 478	2 370
Income tax receivable	579	412
Contract assets	1 187	-
Unbilled receivables	-	984
Trade receivables due from related parties	6	12
Other taxes receivable	22	13
Other receivables due from related parties	9	9
Other receivables	1 832	394
	6 113	**4 194**
Less: Allowance for doubtful other accounts receivable	(144)	(96)
Other short-term less allowance	**5 969**	**4 098**
Total short-term trade and other receivables	**30 184**	**21 409**
Total	**36 051**	**26 472**

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

19 Short-term investments

mln RUB	2017	2016
Bank deposits (over 3 months)	153	-
Bank promissory notes	-	385
Loans given	169	545
	322	**930**
Less: Allowance for doubtful loans given	(137)	(137)
Total	**185**	**793**

As at 31 December 2016, bank promissory notes in the amount of RUB 23 million were pledged as security of secured bank loans and banks' guarantees.

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

20 Cash and cash equivalents

mln RUB	2017	2016
Cash in banks, in RUB	6 902	3 483
Cash in banks, in USD	2 936	516
Cash in banks, in EUR	68	52
Cash in banks, in GBP	2	-
Petty cash	49	21
Cash in transit	3	20
Short-term deposits (less than 3 months)	4 165	6 114
Total	**14 125**	**10 206**

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

At 31 December 2017, one of the banks where the Group held its operating bank accounts, had a rating of B1 with Moody's Investors Service. At 31 December 2017, cash and cash equivalents held with that bank totaled RUB 3 786 million (31 December 2016: RUB 3 289 million). At 31 December 2017, the Group also had outstanding loans and borrowings with the same bank of RUB 2 012 million (31 December 2016: RUB 2 500 million).

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

21 Capital and reserves

a) Share capital

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

Number of shares unless otherwise stated

	2017		2016	
	Ordinary shares	**Preference shares**	**Ordinary shares**	**Preference shares**
Authorised shares				
Par value at the beginning of the year	0,00005 GBP	-	0,00005 GBP	-
On issue at the beginning of the year	292 229 971	20 000	292 229 971	-
Par value at the end of the year	0,00005 GBP	1 GBP	0,00005 GBP	-
Own shares acquired during the year	(5 488 378)	-	-	-
On issue at the end of the year, fully paid	**286 741 593**	**20 000**	**292 229 971**	**-**

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 are at the discretion of the Company and not the holders of the shares, the preference shares are classified as equity.

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

b) 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 US$82 352 900 in March 2008.

c) Reserve for own shares

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

Between 20 June 2017 and 31 December 2017, the Company acquired 5 488 378 own shares for the consideration of RUB 1 189 million, and as at 31 December 2017, the total number of own shares acquired by the Group amounted to 8 216 378 shares or 2,8% of issued share capital (as at 31 December 2016: 2 728 000 own shares or 1% of issued share capital) for the consideration of RUB 1 629 million (as at 31 December 2016: RUB 440 million).

At 31 December 2017, the consideration payable for acquisition of own shares in the amount of RUB 560 million remains outstanding to the broker and is included into the line Short Term Other payables in note 25. Own shares are collateralised to the broker as security for payables.

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

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. As at 31 December 2017, the total of subsidiaries' retained earnings, including the profits for the current year were RUB 45 846 million (31 December 2016: RUB 43 469 million).

During the year ended 31 December 2017, the Company paid dividends in the amount of RUB 2 542 million (year ended 31 December 2016: dividend of RUB 1 504 million).

f) Non-controlling interests in subsidiaries

During the year ended 31 December 2017 the Group has acquired certain interests in a number of its subsidiaries. The transactions resulted in a decrease of non-controlling interest of RUB 31 million during year ended 31 December 2017 (year ended 31 December 2016: a decrease in non-controlling interest of RUB 119 million).

22 Earnings per share

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

Number of shares unless otherwise stated	**2017**	**2016**
Issued shares at 1 January	292 229 971	292 229 971
Effect of own shares acquired during the year	(1 653 553)	-
Weighted average number of shares for the year	**290 576 418**	**292 229 971**
Profit attributable to the owners of the Company, mln RUB	7 890	4 902
Basic and diluted earnings per share (RUB)	27,15	16,77

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	2017	2016
Non-current liabilities		
Secured bank loans	5 303	2 409
Unsecured bank loans	6 183	5 050
Unsecured bond issues	9 932	4 956
	21 418	**12 415**
Current liabilities		
Current portion of secured bank loans	972	2 650
Current portion of unsecured bank loans	1 482	712
Current portion of unsecured bond issues	36	2 277
Current portion of other unsecured loans	79	-
	2 569	**5 639**

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

mln RUB	1 January 2017	Proceeds from borrowings	Repayment of borrowings	Other changes	31 December 2017
Secured bank loans	5 059	6 199	(4 972)	(11)	6 275
Unsecured bank loans	5 762	4 690	(2 787)	-	7 665
Unsecured bond issues	7 233	5 000	(2 250)	(15)	9 968
Current portion of other unsecured loans	-	-	-	79	79
	18 054	**15 889**	**(10 009)**	**53**	**23 987**

mln RUB	Currency	Nominal interest rate	Year of maturity	2017 Face value	2017 Carrying amount	2016 Face value	2016 Carrying amount
Secured bank loans				**6 275**	**6 275**	**5 059**	**5 059**
Secured bank loan	RUB	CBR's key rate + 1,5%	2020	2 287	2 287	-	-
Secured bank loan	RUB	14,01%	2020	1 028	1 028	1 574	1 574
Secured bank loan	RUB	11,75%	2022	802	802	-	-
Secured bank loan	RUB	10,40%	2021	750	750	986	986
Secured bank loan	RUB	13,00%	2021	734	734	-	-
Secured bank loan	RUB	9,50%	2020	332	332	-	-
Secured bank loan	RUB	10,68%	2021	215	215	240	240
Secured bank loan	RUB	9,50%	2020	127	127	-	-
Secured bank loan	RUB	13,00%	2017	-	-	1 804	1 804
Secured bank loan	RUB	13,20%	2017	-	-	455	455
Unsecured bank loans				**7 665**	**7 665**	**5 762**	**5 762**
Unsecured bank loan	RUB	8,75% - 9,7%	2021	3 004	3 004	-	-
Unsecured bank loan	RUB	9,30%	2020	1 300	1 300	1 300	1 300
Unsecured bank loan	RUB	9,50%	2021	1 246	1 246	-	-
Unsecured bank loan	RUB	9,75%	2018	1 000	1 000	1 500	1 500
Unsecured bank loan	RUB	9,75%	2019	1 000	1 000	1 000	1 000
Unsecured bank loan	RUB	CBR's key rate + 1%	2021	50	50	250	250
Unsecured bank loan	RUB	10,80%	2021	50	50	-	-
Unsecured bank loan	RUB	9,25%	2018	12	12	-	-
Unsecured bank loan	RUB	10,10%	2019	3	3	506	506
Unsecured bank loan	RUB	11,50%	2020	-	-	1 002	1 002
Unsecured bank loan	RUB	13,20%	2017	-	-	174	174
Unsecured bank loan	RUB	12,90%	2017	-	-	30	30
Unsecured bond issues				**10 115**	**10 047**	**7 279**	**7 233**
Unsecured bonds	RUB	8,95%	2022	5 020	4 985	-	-
Unsecured bonds	RUB	11,85%	2021	5 016	4 983	5 015	4 971
Unsecured bonds	RUB	12,90%	2017	-	-	2 264	2 262
Other unsecured issues	RUB	9,00%	2018	79	79	-	-
				24 055	**23 987**	**18 100**	**18 054**

Bank loans are secured by:

- inventories with a carrying amount of RUB 9 371 million (31 December 2016: RUB 6 746 million), see note 17;
- bank promissory notes with a carrying amount of RUB 451 million (31 December 2016: RUB 541 million), see note 15;
- pledge of 50% of shares in a subsidiary company JSC “Zatonskoe” which represents RUB 3 555 million in its net assets (31 December 2016: pledge of 50% of shares in a subsidiary company JSC “Zatonskoe” which represents RUB 2 333 million in its net assets);
- pledge of 100% of shares in a subsidiary company LLC “Daikar” which represents RUB 4 542 million in its net assets (31 December 2016: none).
- pledge of 100% of shares in a subsidiary company LLC “LS-Rielty” which represents RUB 970 million in its net assets (31 December 2016: none).
- pledge of 100% of shares in a subsidiary company LLC “UK Dmitrovskaya” which represents RUB 2 050 million in its net assets (31 December 2016: none).
- pledge of 100% of shares in a subsidiary company LLC “Parkoviy Kvartal” which represents RUB 7 million in its net assets (31 December 2016: none).

The bank loans are subject to certain restrictive covenants, which are calculated based on the individual financial statements of certain entities of the Group. There has been no significant breach of any of the restrictive covenants during the reporting period. However, at the period end, one group entity was not in compliance with a covenant relating to loans with a combined carrying value of RUB 966 million. The respective loans in amount of RUB 943 million are classified as current liabilities as at 31 December 2017.

The Group obtained waiver from the bank for such loans after the reporting date.

24 Provisions

mln RUB	**Warranties**	**Provision for deferred works**	**Provision for onerous contracts**	**Total**
Balance at 1 January 2016	117	3 546	-	3 663
Provisions made during the year	41	2 088	-	2 129
Provisions used during the year	(51)	(3 696)	-	(3 747)
Provision reversed during the year	-	(190)	-	(190)
Balance at 31 December 2016	**107**	**1 748**	**-**	**1 855**
Balance at 1 January 2017	107	1 748	-	1 855
Provisions made during the year	32	2 952	71	3 055
Provisions used during the year	(37)	(2 516)	-	(2 553)
Provision reversed during the year	-	(392)	-	(392)
Balance at 31 December 2017	**102**	**1 792**	**71**	**1 965**
Non-current	102	-	-	102
Current	-	1 792	71	1 863
	102	**1 792**	**71**	**1 965**

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 in average. The warranty provision relates to construction works done.

b) Provision for deferred works

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

25 Contract liabilities, trade and other payables

mln RUB	2017	2016
Long-term		
Trade payables	62	64
Finance lease liabilities	-	6
Advances from customers	-	11
Other payables	2 484	778
	2 546	**859**
Short-term		
Trade payables	7 260	2 999
Contract liabilities	25 649	-
Billings in excess of work completed	-	737
VAT payable	3 188	2 134
Payroll liabilities	733	536
Other taxes payable	251	190
Income tax payable	85	399
Finance lease liabilities	6	44
Other payables	3 397	3 044
	40 569	**10 083**
Advances from customers	-	23 583
	40 569	**33 666**
Total	**43 115**	**34 525**

Long-term other payables and short-term other payables mainly consist of obligation equal to RUB 1 938 million (31 December 2016: RUB 1 961 million) to construct the social infrastructure objects and liability of RUB 3 526 million (31 December 2016: RUB 1 185 million) to the City authorities for lease rights and change of intended use of land plot recognised as part of inventories.

Contract liabilities include advances from customers in the amount of RUB 4 430 million which will be satisfied after 12 months from the reporting date (31 December 2016: advances from customers in the amount ofRUB 4 051 million).

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

26 Financial instruments and risk management

a) Accounting classifications and fair values

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

mln RUB	Carrying amount			Fair value		
2017	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Total**
Financial assets not measured at fair value						
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	21 238	-	**21 238**	-	21 278	**21 278**
Bank deposits (over 3 months)	153	-	**153**	-	153	**153**
Bank promissory notes	652	-	**652**	-	752	**752**
Cash and cash equivalents	14 125	-	**14 125**	14 125	-	**14 125**
	36 168	**-**	**36 168**	**14 125**	**22 183**	**36 308**
Financial liabilities not measured at fair value						
Secured bank loans	-	(6 275)	**(6 275)**	-	(6 358)	**(6 358)**
Unsecured bank loans	-	(7 665)	**(7 665)**	-	(7 595)	**(7 595)**
Unsecured bond issues	-	(9 968)	**(9 968)**	(10 458)	-	**(10 458)**
Other unsecured loans	-	(79)	**(79)**	-	(79)	**(79)**
Trade and other payables	-	(14 041)	**(14 041)**	-	(13 555)	**(13 555)**
	-	**(38 028)**	**(38 028)**	**(10 458)**	**(27 587)**	**(38 045)**

mln RUB	Carrying amount			Fair value		
2016	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Total**
Financial assets not measured at fair value						
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	14 111	-	**14 111**	-	14 111	**14 111**
Bank deposits (over 3 months)	-	-	**-**	-	-	**-**
Bank promissory notes	926	-	**926**	-	930	**930**
Cash and cash equivalents	10 206	-	**10 206**	10 206	-	**10 206**
	25 243	**-**	**25 243**	**10 206**	**15 041**	**25 247**
Financial liabilities not measured at fair value						
Secured bank loans	-	(5 059)	**(5 059)**	-	(5 214)	**(5 214)**
Unsecured bank loans	-	(5 762)	**(5 762)**	-	(5 355)	**(5 355)**
Unsecured bond issues	-	(7 233)	**(7 233)**	(7 494)	-	**(7 494)**
Trade and other payables	-	(8 208)	**(8 208)**	-	(7 977)	**(7 977)**
	-	**(26 262)**	**(26 262)**	**(7 494)**	**(18 546)**	**(26 040)**

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

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

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

Risk management framework

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

b) Credit risk

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

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

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

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2017 the receivables of one customer was equal to RUB 1 338 million or 6% of the Group`s consolidated trade and other receivables (31 December 2016: RUB 996 million or 8%).

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The Group includes specific loss component that relates to individually significant exposures in its allowance for impairment of trade and other receivables and investments.

(ii) Guarantees

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

(iii) Exposure to credit risk

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

mln RUB	Carrying amount 2017	2016
Financial assets at amortized cost		
Loans and receivables (excluding taxes receivable and advances paid to suppliers)	21 238	14 111
Bank promissory notes	652	926
Bank deposits (over 3 months)	153	-
Cash and cash equivalents	14 125	10 206
	36 168	**25 243**
Financial liabilities at amortized cost	**38 029**	**28 061**

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

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

Impairment losses

The ageing of trade receivables at the reporting date was:

mln RUB	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	18 065	-	10 137	-
Past due 0-30 days	434	-	1 219	-
Past due 31-120 days	256	-	341	-
Past due more than 120 days	1 001	(465)	1 018	(392)
	19 756	**(465)**	**12 715**	**(392)**

The ageing of loans given at the reporting date was:

mln RUB	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	119	-	112	-
Past due 0-30 days	-	-	72	(72)
Past due 31-120 days	-	-	338	(38)
Past due more than 120 days	137	(137)	27	(27)
	256	**(137)**	**549**	**(137)**

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

mln RUB	2017	2016
Balance at 1 January	392	372
Increase during the year	222	102
Decrease due to reversal	(149)	(82)
Balance at 31 December	**465**	**392**

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

mln RUB	2017	2016
Balance at 1 January	185	216
Increase during the year	308	250
Decrease due to reversal	(119)	(281)
Balance at 31 December	**374**	**185**

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

mln RUB	2017	2016
Balance at 1 January	137	-
Increase during the year	-	137
Decrease due to reversal	-	-
Balance at 31 December	**137**	**137**

c) Liquidity risk

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

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

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

Contractual maturities of financial liabilities were as follows:

31 December 2017

mln RUB	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities									
Secured bank loans	6 275	7 643	1 264	296	2 810	2 583	637	53	-
Unsecured bank loans	7 665	9 245	876	1 295	1 976	3 274	1 824	-	-
Unsecured bond issues	9 968	13 093	484	524	2 635	4 022	3 661	1 767	-
Other unsecured loans	79	79	17	62	-	-	-	-	-
Trade and other payables (excluding taxes payable and advances from customers)	14 041	13 549	3 970	5 733	966	2 288	556	53	2
	38 028	**43 609**	**6 611**	**7 910**	**8 387**	**12 167**	**6 678**	**1 873**	**2**

31 December 2016

	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities									
Secured bank loans	5 059	6 099	1 487	1 704	1 702	667	443	96	-
Unsecured bank loans	5 762	7 441	505	849	1 737	2 680	1 398	272	-
Unsecured bond issues	7 233	9 507	1 542	1 498	592	2 187	2 491	1 197	-
Trade and other payables (excluding taxes payable and advances from customers)	8 208	8 213	6 752	613	569	274	1	1	3
	26 262	**31 260**	**10 286**	**4 664**	**4 600**	**5 808**	**4 333**	**1 566**	**3**

d) Market risk

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

(i) Currency risk

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

mln RUB	USD-denominated	EUR-denominated	USD-denominated	EUR-denominated
	2017		2016	
Cash and cash equivalents (see note 20)	2 936	68	516	52
Net exposure	**2 936**	**68**	**516**	**52**

The following significant exchange rates applied during the year:

in RUB	Average rate		Reporting date spot rate	
	2017	2016	31 December 2017	31 December 2016
USD 1	58,35	67,03	57,60	60,66
EUR 1	65,90	74,23	68,87	63,81

(ii) Interest rate risk

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

Profile

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

mln RUB	Carrying amount	
	2017	2016
Fixed rate instruments		
Financial assets	20 783	16 514
Financial liabilities	(20 656)	(18 104)
	127	**(1 590)**
Variable rate instruments		
Financial liabilities	(3 337)	-
	(3 337)	**-**

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	2017	2016
Total borrowings	23 987	18 054
Less: cash and cash equivalents	(14 125)	(10 206)
Less: bank deposits over 3 months, note 19	(153)	-
Net debt	9 709	7 848
Total equity	62 805	58 150
Debt to capital ratio at end of period	0,15	0,135

Finance lease liabilities RUB 6 million at 31 December 2017 (RUB 50 million at 31 December 2016) are included in trade and other payables (see note 25) and are not included in the total amount of borrowings.

27 Operating leases

Non-cancellable operating lease rentals are payable as follows:

mln RUB	2017	2016
Less than one year	469	428
Between one and five years	953	1 598
More than five years	198	701
	1 620	**2 727**

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

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

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

During the year ended 31 December 2017 the amount of RUB 22 million (year ended 31 December 2016: RUB 33 million) was recognised as an expense in the consolidated statement of profit or loss and other comprehensive income in respect of operating leases, while RUB 189 million (year ended

31 December 2016: RUB 449 million) were capitalised into the cost of residential and commercial premises under construction.

28 Capital commitments

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

29 Contingencies

a) Insurance

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

b) Litigation

During the year ended 31 December 2017, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

c) Taxation contingencies

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

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

30 Related party transactions

a) Transactions with management

(i) Management remuneration

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

mln RUB	2017	2016
Salaries and bonuses	362	647
	362	**647**

During the year ended 31 December 2017 and 2016, the Group did not grant any loans and pensions to its key management personnel. In 2017, the total cash remuneration of key management personnel amounted to RUB 362 million (2016: RUB 647 million). The Group has also accrued RUB 221 million in relation to share-based payment program for key management personnel as disclosed in the note 10.

(ii) Other transactions

Sales to key management personnel are disclosed below:

	Transaction value		Outstanding balance	
mln RUB	**2017**	**2016**	**2017**	**2016**
Sale of apartments and premises	-	106	(2)	(144)
	-	**106**	**(2)**	**(144)**

b) Transactions with other related parties

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

(i) Revenue

	Transaction value		Outstanding balance	
mln RUB	**2017**	**2016**	**2017**	**2016**
Other related parties	47	46	7	(14)
	47	**46**	**7**	**(14)**

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

(ii) Expenses

	Transaction value		Outstanding balance	
mln RUB	**2017**	**2016**	**2017**	**2016**
Other related parties	148	125	(8)	(30)
	148	**125**	**(8)**	**(30)**

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

31 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	31 December 2017	31 December 2016
JSC "GK Etalon"	Russian Federation	100,00%	100,00%
LLC "EtalonAktiv"	Russian Federation	100,00%	100,00%
JSC "Etalon LenSpetsSMU" (JSC "SSMO LenSpetsSMU" before 18 April 2017)	Russian Federation	100,00%	100,00%
JSC "Novator"	Russian Federation	100,00%	100,00%
JSC "LenSpetsSMU-Reconstruktsiya"	Russian Federation	100,00%	100,00%
LLC "Etalon-Invest"	Russian Federation	100,00%	100,00%
JSC "Zatonskoe"	Russian Federation	100,00%	100,00%
LLC "SPM-Zhilstroy"	Russian Federation	100,00%	100,00%
LLC "Zolotaya Zvezda"	Russian Federation	100,00%	100,00%

As at 31 December 2017 the Group controlled 141 legal entities (31 December 2016: 138). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements. The above is a list of the most significant subsidiaries.

32 Events subsequent to the reporting date

a) Financing events

Subsequent to the reporting date the Group has repaid loans and borrowings outstanding as at 31 December 2017 for the total amount of RUB 2 358 million.

Subsequent to the reporting date the Group has obtained an additional tranche of a loan for the total amount of RUB 177 million with an interest rate of 9,96% (repayable in 2020) and additional tranche of a loan for the total amount of RUB 906 million with an interest rate of 8,57% (repayable in 2021).