Etalon Group PLC

Consolidated Interim Financial Statements

For the six months ended 30 June 2019

Contents

INTERIM MANAGEMENT REPORT

The Board of Directors of Etalon Group PLC (the "Company") presents to the members its Interim Management Report together with the consolidated interim financial statements of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2019 reviewed by the independent auditors. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, including the requirements of IAS 34 "Interim Financial Reporting".

Financial results

The results of the Group for the six months ended 30 June 2019 are set out on page 9 of the consolidated interim financial statements.

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

On 19 February 2019, the Group acquired 51% of the share capital of JSC "Leader-Invest", whose income and expenses from the date of acquisition until the reporting date have been included into these consolidated interim financial statements.

(a) Revenue

The Group's total revenue for the six months ended 30 June 2019 amounted to RUB 39 562 million as compared to RUB 24 699 million for the six months ended 30 June 2018, recording an increase of RUB 14 863 million or 60%.

Revenue of reportable segment "Residential development" increased by RUB 16 153 million or 91%, due to an increase in the revenues recognised from the sales of flats by RUB 12 560 million or 76% and an increase in the revenue recognised from the sales of parking places by RUB 1 854 million or 482%, and an increase in the revenue recognised from the sale of built-in commercial premises by RUB 1 739 million or 207%. JSC "Leader-Invest" contributed RUB 3 686 million to the revenues of the reportable segment "Residential development".

External revenues of the reportable segment "Construction services" decreased by RUB 1 085 million or 27% mainly due to the completion during the first half of 2018 of a project for the construction of a metro depot in St. Petersburg.

External revenues of the reportable segment "Other" decreased by RUB 205 million or 7% due to a decrease in the sales of construction materials by RUB 301 million or 18%, a decrease in the sale of stand-alone commercial premises by RUB 42 million or 100%, an increase in rental revenue by RUB 50 million or 15%, and increase in other revenue related to servicing of premises by RUB 88 million or 11%.

(b) Gross profit

Gross profit for the six months ended 30 June 2019 is RUB 8 890 million as compared to RUB 5 573 million for the six months ended 30 June 2018 (as restated), recording an increase of RUB 3 317 million or 60%, which was mainly driven by the increase in gross profit of the reportable segment "Residential development" by RUB 3 366 million or 62%. JSC "Leader-Invest" contributed RUB 252 million to gross profit for the six months ended 30 June 2019.

(c) Results from operating activities

Profit from operating activities during the six months ended 30 June 2019 amounted to RUB 3 929 million as compared to a loss of RUB 1 262 million for the six months ended 30 June 2018 (as restated) showing an increase of RUB 5 191 million or 411%.

INTERIM MANAGEMENT REPORT (CONTINUED)

During the six months ended 30 June 2019, general and administrative expenses decreased by RUB 375 million or 11%, selling expenses increased by RUB 616 million or 35%, other income/expenses, net increased by RUB 2 045 million or 143%, as compared to the six months ended 30 June 2018.

General and administrative expenses during the six months ended 30 June 2019 decreased by RUB 375 million despite the consolidation of JSC "Leader-Invest" that contributed RUB 850 million to the Group's general and administrative expenses, including RUB 368 million in payroll and related taxes.
The decrease was mainly caused by the share based payment expenses of RUB 846 million recognised during the six months ended 30 June 2018 (six months ended 30 June 2019 - nil) and an overall reduction in payroll expenses by RUB 376 million or 20%.

Growth in selling expenses was mainly caused by the consolidation of JSC "Leader-Invest" that contributed RUB 439 million to the Group's selling expenses.

(d) Other expenses, net

During the six months ended 30 June 2019, other expenses, net, decreased by RUB 916 million or 64% mainly due to a decrease in impairment loss on inventories of RUB 1 066 million or 70%.

(e) Gain from bargain purchase of RUB 1 129 million resulted from the acquisition of JSC "Leader-Invest".

(f) Net finance costs

Net finance costs for the six months ended 30 June 2019 increased by RUB 1 025 million or 94% as compared to the six months ended 30 June 2018.

Finance income increased by RUB 450 million or 41% mainly due to an increase in interest income on cash and cash equivalents and bank deposits by RUB 807 million or 187%, offset by a decrease in the unwinding of the discount on trade receivables of RUB 185 million or 40% and a foreign exchange gain of RUB 121 million recognised during the the six months ended 30 June 2018.

Finance costs increased by RUB 1 475 million or 67% due to the increase in expensed financing component and borrowing costs by RUB 1 054 million or 48%, resulting from the overall increase in bank and customer financing, an increase in interest expense on leases by RUB 120 million as a result of the adoption of the new accounting standard IFRS 16 "Leases", an increase in unwinding of discount on other payables of RUB 196 million and a foreign exchange loss of RUB 66 million.

Net finance costs of JSC "Leader-Invest" contributed RUB 346 million to the overall increase.

(g) Income tax expense

Income tax expense for the six months ended 30 June 2019 amounted to RUB 857 million as compared to an income tax benefit of RUB 369 million during the six months ended 30 June 2018 (as restated).

(h) Profit for the six months ended 30 June 2019

The profit for the year attributable to the owners of the Company amounted to RUB 1 542 million, compared to loss of RUB 1 982 million for the six months ended 30 June 2018 (as restated).

Principal risks and uncertainties

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

INTERIM MANAGEMENT REPORT (CONTINUED)

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.

Nonrecurring or unusual activities and other significant events

On 19 February 2019, the Group's subsidiary JSC "GK Etalon" acquired 51% of the share capital and voting rights of Leader-Invest JSC for a cash consideration of RUB 15 185 million. Leader-Invest is a Moscow-based residential developer focusing on projects in the comfort, business and premium-class segments with a total net sellable area (NSA) of 1.3 million sqm.

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

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

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

Related party transactions

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

Dividends

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

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

Financial statements

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

By order of the Board of Directors,

Charalampos Avgousti	Kirill Bagachenko
Director	Director

Nicosia

27 September 2019

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

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

(a) The consolidated interim financial statements for the six-month period ended 30 June 2019:

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

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

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

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

27 September 2019

KPMG Limited
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE MEMBERS

OF

ETALON GROUP PLC

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of Etalon Group PLC (the "Company"), and its subsidiaries (the "Group") as at 30 June 2019, and the related consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and a summary of significant accounting policies and other explanatory notes ("the consolidated interim financial statements"). The Board of Directors is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") including the requirements of IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2019, and its consolidated financial performance and its consolidated cash flows for the six - month period then ended in accordance with IFRS-EU including the requirements of IAS 34 Interim Financial Reporting.

KPMG Limited

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia, Cyprus

27 September 2019

		Six months ended 30 June	
mln RUB	**Note**	**2019**	**2018 (restated*)**
Revenue	6	39 562	24 699
Cost of sales		(30 672)	(19 126)
Gross profit		8 890	5 573
General and administrative expenses	7	(3 081)	(3 456)
Selling expenses		(2 356)	(1 740)
Impairment loss on trade and other receivables	26 (b)(iii)	(142)	(212)
Gain from bargain purchase	27	1 129	-
Other expenses, net	8	(511)	(1 427)
Results from operating activities		3 929	(1 262)
Finance income – interest revenue	11	1 517	895
Finance income - other	11	37	209
Finance costs	11	(3 667)	(2 192)
Net finance costs		(2 113)	(1 088)
Profit/(loss) before income tax		1 816	(2 350)
Income tax (expense)/benefit	12	(857)	369
Profit/(loss) for the period		959	(1 981)
Total comprehensive income/(loss) for the period		959	(1 981)
Profit/(loss) attributable to:			
Owners of the Company		1 542	(1 982)
Non-controlling interest		(583)	1
Profit/(loss) for the period		959	(1 981)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		1 542	(1 982)
Non-controlling interest		(583)	1
Total comprehensive income/(loss) for the period		959	(1 981)
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (RUB)	22	5,23	(6,87)

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

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

The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 77.

mln RUB	Note	30 June 2019	31 December 2018 (restated*)	1 January 2018 (restated*)
ASSETS				
Non-current assets				
Property, plant and equipment	13	3 637	3 195	3 085
Investment property	14	1 123	306	333
Other long-term investments	15	762	758	702
Trade and other receivables	18	5 586	5 777	5 799
Deferred tax assets	16	3 297	2 806	2 250
Total non-current assets		**14 405**	**12 842**	**12 169**
Current assets				
Inventories under construction	17	89 389	50 683	50 969
Inventories - finished goods	17	15 493	15 646	21 138
Other inventories	17	1 697	1 995	1 223
Advances paid to suppliers	18	10 002	7 727	10 664
Costs to obtain contracts		706	324	-
Contract assets	18	1 577	1 244	1 187
Trade receivables	18	8 644	7 971	13 332
Other receivables	18	5 228	3 466	4 717
Short-term investments	19	879	203	185
Cash and cash equivalents	20	35 797	23 066	14 125
Total current assets		**169 412**	**112 325**	**117 540**
Total assets		**183 817**	**125 167**	**129 709**
EQUITY AND LIABILITIES				
Equity				
Share capital	21	2	2	2
Share premium	21	15 486	15 486	15 486
Reserve for own shares	21	(1)	(1)	(1 606)
Share options reserve	21	-	-	221
Retained earnings		41 848	40 306	44 554
Total equity attributable to equity holders of the Company		**57 335**	**55 793**	**58 657**
Non-controlling interest		15 079	2	-
Total equity		**72 414**	**55 795**	**58 657**

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

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

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 77.

mln RUB	Note	30 June 2019	31 December 2018 (restated*)	1 January 2018 (restated*)
Non-current liabilities				
Loans and borrowings	23	33 422	17 559	21 418
Trade and other payables	25	2 867	1 777	2 546
Contract liabilities	25	1	218	-
Provisions	24	136	121	102
Deferred tax liabilities	16	6 551	1 725	1 985
Total non-current liabilities		**42 977**	**21 400**	**26 051**
Current liabilities				
Loans and borrowings	23	7 229	3 353	2 569
Trade and other payables	25	19 918	16 727	14 920
Contract liabilities	25	40 602	26 931	25 649
Provisions	24	677	961	1 863
Total current liabilities		**68 426**	**47 972**	**45 001**
Total equity and liabilities		**183 817**	**125 167**	**129 709**

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

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

These Consolidated Interim Financial Statements were approved by the Board of Directors on 27 September 2019 and were signed on its behalf by:

Charalampos Avgousti
Director

Kirill Bagachenko
Director

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 77.

mln RUB	Attributable to equity holders of the Company							
	Share capital	Share premium	Reserve for own shares	Share options reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2018, as previously reported *	2	15 486	(1 606)	221	48 390	62 493	-	**62 493**
Impact of change in accounting policy, net of tax, note 2(e)(ii)	-	-	-	-	(3 836)	(3 836)	-	**(3 836)**
Adjusted balance at 1 January 2018	2	15 486	(1 606)	221	44 554	58 657	-	**58 657**
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(1 982)	(1 982)	1	**(1 981)**
Total comprehensive loss for the period	-	-	-	-	(1 982)	(1 982)	1	(1 981)
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(3 260)	(3 260)	-	**(3 260)**
Equity-settled share-based payment	-	-	1 605	(221)	(538)	846	-	**846**
Total transactions with owners	-	-	1 605	(221)	(3 798)	(2 414)	-	**(2 414)**
Balance at 30 June 2018	**2**	**15 486**	**(1)**	**-**	**38 774**	**54 261**	**1**	**54 262**

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

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

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 77.

	Attributable to equity holders of the Company							
mln RUB	**Share capital**	**Share premium**	**Reserve for own shares**	**Share options reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 31 December 2018, as previously reported *	2	15 486	(1)	-	44 627	60 114	2	**60 116**
Impact of change in accounting policy, net of tax, note 2(e)(ii)	-	-	-	-	(4 321)	(4 321)	-	**(4 321)**
Adjusted balance at 1 January 2019	2	15 486	(1)	-	40 306	55 793	2	**55 795**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	1 542	1 542	(583)	**959**
Total comprehensive income for the period	-	-	-	-	1 542	1 542	(583)	**959**
Transactions with owners of the Company								
Changes in ownership interests								
Dividends to equity holders	-	-	-	-	-	-	(13)	**(13)**
Acquisition of subsidiary with NCI (note 27)	-	-	-	-	-	-	15 673	**15 673**
Total transactions with owners of the Company	-	-	-	-	-	-	**15 660**	**15 660**
Balance at 30 June 2019	**2**	**15 486**	**(1)**	**-**	**41 848**	**57 335**	**15 079**	**72 414**

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

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

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 77.

		Six months ended 30 June	
mln RUB	**Notes**	**2019**	**2018 (restated)**
OPERATING ACTIVITIES:			
Profit/(loss) for the period		959	(1 981)
Adjustments for:			
Depreciation	13, 14	270	169
(Gain)/loss on disposal of property, plant and equipment	8	(14)	7
Impairment loss on inventories	17	458	1 524
Impairment loss on trade and other receivables, advances paid to suppliers and investments	26 (b)(iii)	180	212
Equity-settled share-based payment transactions	10	-	846
Gain from bargain purchase	27	(1 129)	-
Finance costs, net	11	2 113	1 088
Income tax expense/(benefit)	12	857	(369)
Cash from operating activities before changes in working capital and provisions		**3 694**	**1 496**
Change in inventories		7 357	(4 833)
Change in accounts receivable		(1 862)	4 391
Change in accounts payable		(9 286)	(2 068)
Change in provisions	24	(316)	(654)
Change in contract assets	18	(333)	1 023
Change in contract liabilities	25	13 454	8 492
Cash generated from operating activities		**12 708**	**7 847**
Income tax paid		(1 620)	(600)
Interest paid		(2 056)	(1 146)
Net cash from operating activities		**9 032**	**6 101**
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		51	6
Proceeds from disposal of investment property		-	8
Interest received		1 238	431
Acquisition of property, plant and equipment		(335)	(266)
Loans given		(2)	(19)
Loans repaid		18	34
Acquisition of subsidiary, net of cash acquired		(10 481)	-
Acquisition of other investments	15, 19	(826)	(190)
Disposal of other investments	15, 19	885	153
Net cash (used in)/from investing activities		**(9 452)**	**157**
FINANCING ACTIVITIES:			
Proceeds from borrowings		15 719	3 609
Repayments of borrowings		(2 126)	(4 716)
Acquisition of own shares		-	(651)
Payments for lease liabilities	28	(363)	-
Dividends paid		(13)	-
Net cash from/(used in) financing activities		**13 217**	**(1 758)**
Net increase in cash and cash equivalents		12 797	4 500
Cash and cash equivalents at the beginning of the period		23 066	14 125
Effect of exchange rate fluctuations on cash and cash equivalents		(66)	240
Cash and cash equivalents at the end of the period	20	**35 797**	**18 865**

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 77

1 Background

a) Organisation and operations

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

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

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

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

The Company's registered office is located at:

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

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

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

b) Business environment

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

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

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

2 Basis of preparation

a) Statement of compliance

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

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

b) Basis of measurement

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

c) Functional and presentation currency

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

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

d) Use of estimates and judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated interim 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 payment arrangements;
- Note 17 – inventories –impairment provisions; recognition of obligations for the construction of social infrastructure;
- Note 24 – provisions;
- Note 26(b)(iii) – measurement of ECL allowance for trade and other receivables and contract assets;
- Note 27 – acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis;
- Note 28 – judgements related to lessee accounting under IFRS 16;
- Note 30 – contingencies.

e) Changes in accounting policies

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

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

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

i) Adoption of IFRS 16

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

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

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

Definition of a lease

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

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

As a lessee

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

Significant accounting policies

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

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

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

Transition

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

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

As a lessor

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

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

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

Impacts on financial statements

Impacts on transition

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

mln RUB	**1 January 2019**
Right-of-use asset presented in inventories and property, plant and equipment (note 28).	892
Lease liabilities (note 28)	(1 921)

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

mln RUB	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	3 004
Lease payments that are not either variable (that depend on an index or rate or reflect changes in market rental rates) or in-substance fixed	(558)
Short-term lease agreements at 31 December 2018	(98)
Discounted using the incremental borrowing rate at 1 January 2019	(427)
Lease liabilities recognised at 1 January 2019 (note 28)	**1 921**
Accrued lease payments recognised as at 31 December 2018	(1 029)
Right of use assets recognised at 1 January 2019 (note 28)	**892**
Retained earnings impact at 1 January 2019	-

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized RUB 1 790 million of right-of-use assets and RUB 2 543 million of lease liabilities as at 30 June 2019.

Also, in relation to those leases under IFRS 16, the Group has recognized depreciation expense in the amount of RUB 87 million and interest expense in the amount of RUB 120 million (note 28).

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

In order to make cost of sales recognition more predictable and comparable on an ongoing basis and, as a result, provide more meaningful and relevant information for the users, effective from 1 January 2019, the Group ceased capitalisation of borrowing costs into the cost of inventories under construction, revenue for which is recognized over time. The change in accounting policy was applied retrospectively, and the Group applied the new accounting policy from the beginning of the earliest prior period presented in these consolidated interim financial statements.

Impacts on financial statements

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

Consolidated interim statement of profit or loss and other comprehensive income

mln RUB	**Impact of change in accounting policy**		
Six months ended 30 June 2018	**As previously reported**	**Adjustments**	**As restated**
Revenue	24 699	-	24 699
Cost of sales	(19 814)	688	(19 126)
Gross profit	4 885	688	5 573
General and administrative expenses	(3 456)	-	(3 456)
Selling expenses	(1 740)	-	(1 740)
Impairment loss on trade and other receivables	(212)	-	(212)
Other expenses, net	(1 467)	40	(1 427)
Results from operating activities	(1 990)	728	(1 262)
Finance income – interest revenue	895	-	895
Finance income - other	209	-	209
Finance costs	(441)	(1 751)	(2 192)
Net finance income/(costs)	663	(1 751)	(1 088)
Loss before income tax	(1 327)	(1 023)	(2 350)
Income tax benefit	164	205	369
Loss for the period	(1 163)	(818)	(1 981)
Total comprehensive loss for the period	(1 163)	(818)	(1 981)
Earnings per share			
Basic and diluted loss per share (RUB)	(4,03)	(2,83)	(6,87)

Consolidated interim statement of financial position

mln RUB	**Impact of change in accounting policy**		
31 December 2018	**As previously reported**	**Adjustments**	**As restated**
Non-current assets			
Deferred tax assets	2 805	1	2 806
Other	10 036	-	10 036
Total non-current assets	**12 841**	**1**	**12 842**
Current assets			
Inventories under construction	56 096	(5 413)	50 683
Inventories - finished goods	15 638	8	15 646
Other	45 996	-	45 996
Total current assets	**117 730**	**(5 405)**	**112 325**
Total assets	**130 571**	**(5 404)**	**125 167**
Retained earnings	44 627	(4 321)	40 306
Other	15 489	-	15 489
Total equity	**60 116**	**(4 321)**	**55 795**
Total current liabilities	**47 972**	**-**	**47 972**
Non-current liabilities			
Deferred tax liabilities	2 808	(1 083)	1 725
Other	19 675	-	19 675
Total non-current liabilities	**22 483**	**(1 083)**	**21 400**
Total equity and liabilities	**130 571**	**(5 404)**	**125 167**

mln RUB	**Impact of change in accounting policy**		
1 January 2018	**As previously reported**	**Adjustments**	**As restated**
Non-current assets			
Deferred tax assets	2 250	-	2 250
Other	9 919	-	9 919
Total non-current assets	**12 169**	**-**	**12 169**
Current assets			
Inventories under construction	55 441	(4 472)	50 969
Inventories - finished goods	21 458	(320)	21 138
Other	45 433	-	45 433
Total current assets	**122 332**	**(4 792)**	**117 540**
Total assets	**134 501**	**(4 792)**	**129 709**
Retained earnings	48 390	(3 836)	44 554
Other	14 103	-	14 103
Total equity	**62 493**	**(3 836)**	**58 657**
Total current liabilities	**45 001**	**-**	**45 001**
Non-current liabilities			
Deferred tax liabilities	2 941	(956)	1 985
Other	24 066	-	24 066
Total non-current liabilities	**27 007**	**(956)**	**26 051**
Total equity and liabilities	**134 501**	**(4 792)**	**129 709**

Consolidated interim statement of cash flows

mln RUB	**Impact of change in accounting policy**		
Six months ended 30 June 2018	**As previously reported**	**Adjustments**	**As restated**
OPERATING ACTIVITIES:			
Loss for the period	(1 163)	(818)	(1 981)
Finance income, net	(663)	1 751	1 088
Impairment loss on inventories	1 564	(40)	1 524
Income tax benefit	(164)	(205)	(369)
Other	1 234	-	1 234
Cash from operating activities before changes in working capital and provisions	808	688	1 496
Change in inventories	(4 145)	(688)	(4 833)
Other	11 184	-	11 184
Net cash from operating activities	**7 847**	**-**	**7 847**

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

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 32.

(iii) Transactions eliminated on consolidation

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

b) Foreign currency

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

c) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

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

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

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

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

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

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

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

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

Financial assets – Business model assessment

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

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

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

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

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

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

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

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

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

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

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

Financial assets – Subsequent measurement and gains and losses

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

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

(iii) Modification of financial assets and financial liabilities

Financial assets

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

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

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

Financial liabilities

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

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

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

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

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

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

(iv) Derecognition

Financial assets

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

Financial liabilities

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

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

(v) Offsetting

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

(vi) Impairment

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

– financial assets measured at amortised cost;

– debt investments measured at FVOCI; and

– contract assets.

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

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

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

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

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

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

d) Advances received and paid

Due to the nature of its activities, the Group receives significant advances from customers, and makes significant prepayments to sub-contractors and other suppliers. Advances paid are recognised on an undiscounted basis. The Group adjusts contract liabilities (including 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 2019.

f) Investment property

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

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

g) 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 an asset ready for sale in its current condition and is not a qualifying asset for the capitalization of borrowing costs.

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

h) 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.

i) Revenue

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

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

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

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

Effective 1 January 2017, amendments were made to the Federal law 214-FZ, according to which in case a real estate developer properly fulfills his obligations under share participation agreement, the buyer has no right to terminate the contract unilaterally. Following the amendments made to the Federal law No.214-FZ, the Group has an enforceable right to payment under 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 revenue recognition over time as control over the property is transferred to the customer over time.

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

For each performance obligation satisfied over time (promise to transfer an apartment specified in the contract with a customer in a multicompartment building under construction), the Group recognises revenue over time by measuring the progress towards 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 recognised with respect to apartments that are contracted under share participation agreements. Costs used to measure progress towards complete satisfaction of performance obligation include costs of design and construction of a multicompartment building and exclude the cost of acquisition of land plots. The cost of acquisition of land plot is recognised in cost of sales consistently with the transfer to the customers of the apartments to which the land plot relates.

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

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

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

(ii) Revenue from construction services

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

1) Contracts for provision of construction services;

2) Contracts for construction of an asset.

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

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

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

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

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

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

(iii) Revenue from sale of construction materials

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

j) 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.

k) New Standards and Interpretations

A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements. Various Improvements to IFRSs and other amendments have been dealt with on a standard-by-standard basis. 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 2020. 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) Non-derivative financial liabilities

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

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

5 Operating segments

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

- *Residential development*. Includes construction of residential real estate including flats, built-in premises and parking places.
- *Construction services*. Includes construction services for third parties and for internal purpose.
- *Other operations.* Include selling of construction materials, construction of stand-alone premises for commercial use and various services related to sale and servicing of premises. None of these meets any of the quantitative thresholds for determining reportable segments during the six months ended 30 June 2019 or 2018.

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

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

a) Information about reportable segments

	Residential development		Construction services		Other		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
mln RUB	**2019**	**2018 (restated)**	**2019**	**2018 (restated)**	**2019**	**2018 (restated)**	**2019**	**2018 (restated)**
External revenues, including:	**33 915**	**17 762**	**2 967**	**4 052**	**2 680**	**2 885**	**39 562**	**24 699**
Etalon without Leader-Invest	30 229	17 762	2 967	4 052	2 550	2 885	35 746	24 699
Leader-Invest sub-group	3 686	-	-	-	130	-	3 816	-
Inter-segment revenue, including:	**-**	**-**	**7 315**	**5 466**	**338**	**256**	**7 653**	**5 722**
Etalon without Leader-Invest	-	-	7 315	5 466	338	256	7 653	5 722
Total segment revenue, including:	**33 915**	**17 762**	**10 282**	**9 518**	**3 018**	**3 141**	**47 215**	**30 421**
Etalon without Leader-Invest	30 229	17 762	10 282	9 518	2 888	3 141	43 399	30 421
Leader-Invest sub-group	3 686	-	-	-	130	-	3 816	-
Gross profit, including	**8 769**	**5 403**	**72**	**183**	**49**	**(13)**	**8 890**	**5 573**
Etalon without Leader-Invest	8 523	5 403	72	183	43	(13)	8 638	5 573
Leader-Invest sub-group	246	-	-	-	6	-	252	-
Gross profit, %	**26%**	**30%**						
Etalon without Leader-Invest	28%	30%						
Leader-Invest sub-group	7%	-						

a) Information about reportable segments (continued)

	Residential development		Construction services		Other		Total	
mln RUB	30 June 2019	31 December 2018 (restated)	30 June 2019	31 December 2018 (restated)	30 June 2019	31 December 2018 (restated)	30 June 2019	31 December 2018 (restated)
Reportable segment assets: inventories, including:	**102 646**	**64 858**	**1 334**	**1 541**	**2 599**	**1 925**	**106 579**	**68 324**
Etalon without Leader-Invest	55 884	64 858	1 334	1 541	1 815	1 925	59 033	68 324
Leader-Invest sub-group	46 762	-	-	-	784	-	47 546	-
Total liabilities for reportable segments: contract liabilities, including:	**37 659**	**26 716**	**453**	**83**	**2 491**	**350**	**40 603**	**27 149**
Etalon without Leader-Invest	29 338	26 716	453	83	2 408	350	32 199	27 149
Leader-Invest sub-group	8 321	-	-	-	83	-	8 404	-

b) Geographical information

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

	Revenues		Non-current assets		
	Six months ended 30 June		30 June	31 December	1 January
mln RUB	2019	2018	2019	2018	2018
St. Petersburg metropolitan area	17 395	15 636	3 095	3 027	2 968
Moscow metropolitan area	22 167	9 063	1 665	474	450
	39 562	**24 699**	**4 760**	**3 501**	**3 418**

c) Major customer

Revenue from one customer of the Group, recognised within the segment “Construction services”, amounted to RUB 1 015 million or 3% of the Group’s total revenue for the six months ended 30 June 2019 (revenue from one customer of the Group, recognised within the segment “Residential development”, amounted to RUB 1 997 million or 8% of the Group’s total revenue for the six months ended 30 June 2018).

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

mln RUB	Six months ended 30 June	
	2019	**2018 (restated)**
Revenues		
Total revenue for reportable segments	47 215	30 421
Elimination of inter-segment revenue	(7 653)	(5 722)
Consolidated revenue	**39 562**	**24 699**
Profit or loss		
Gross profit for reportable segments	8 890	5 573
General and administrative expenses	(3 081)	(3 456)
Selling expenses	(2 356)	(1 740)
Impairment loss on trade and other receivables	(142)	(212)
Gain from bargain purchase	1 129	-
Other expenses, net	(511)	(1 427)
Finance income and interest revenue	1 554	1 104
Finance costs	(3 667)	(2 192)
Consolidated profit/(loss) before income tax	**1 816**	**(2 350)**

	30 June 2019	**31 December 2018 (restated)**
Assets		
Total assets for reportable segments: inventories	106 579	68 324
Total inventories	**106 579**	**68 324**
Liabilities		
Total liabilities for reportable segments: contract liabilities	40 603	27 149
Total contract liabilities	**40 603**	**27 149**

6 Revenue

mln RUB	Six months ended 30 June 2019	2018
Sale of flats - transferred at a point in time	7 961	8 144
Sale of flats - transferred over time	21 137	8 394
Sale of built-in commercial premises - transferred at a point in time	1 629	391
Sale of built-in commercial premises - transferred over time	949	448
Sale of parking places - transferred at a point in time	1 674	313
Sale of parking places - transferred over time	565	72
Total revenue - segment Residential development (note 5 (a))	33 915	17 762
Long term construction contracts - transferred over time	2 766	3 826
Short term construction services - transferred over time	201	226
Total revenue of segment Construction services (note 5 (a))	2 967	4 052
Sale of construction materials - transferred at a point in time	1 380	1 681
Sale of stand-alone commercial premises - transferred at a point in time	-	42
Other revenue - transferred at a point in time	923	835
Total other revenue (note 5 (a))	2 303	2 558
Total revenues from contracts with customers	**39 185**	**24 372**
Rental revenue (note 5 (a))	377	327
Total revenues	**39 562**	**24 699**

Contract balances

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

mln RUB	30 June 2019	31 December 2018	1 January 2018
Trade receivables	13 972	13 515	19 291
Contract assets	1 577	1 244	1 187
Contract liabilities	(40 603)	(27 149)	(25 649)

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

Contract liabilities relate to 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.

	Six months ended			
	30 June 2019		30 June 2018	
mln RUB	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	-	13 743	-	27 291
Increases due to cash received, excluding amounts recognized as revenue during the period	-	(20 132)	-	(35 783)
Acquisition through business combination	134	(7 065)	-	-
Transfers from contract assets recognised at the beginning of the period to receivables	(714)	-	(341)	-
Increase as a result of changes in the measure of progress	913	-	(682)	-
Total change in the reporting period	**333**	**(13 454)**	**(1 023)**	**(8 492)**

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

30 June 2019 **mln RUB**	**2019**	**2020**	**2021**	**2022**	**Total**
Residential development	16 887	13 437	3 156	363	**33 843**
Construction services	2 415	1 422	309	-	**4 146**
Total	**19 302**	**14 859**	**3 465**	**363**	**37 989**

31 December 2018 **mln RUB**	**2019**	**2020**	**2021**	**2022**	**Total**
Residential development	18 683	9 484	1 439	169	**29 775**
Construction services	6 523	785	9	-	**7 317**
Total	**25 206**	**10 269**	**1 448**	**169**	**37 092**

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	Six months ended 30 June 2019	2018
Payroll and related taxes	1 827	1 835
Audit and consulting services	301	84
Other taxes	265	82
Services	218	226
Depreciation	104	38
Bank fees and commissions	93	93
Repair and maintenance	53	40
Materials	34	58
Other	186	154
Equity-settled share based payments (note 10)	-	846
Total	**3 081**	**3 456**

8 Other (expenses)/income, net

mln RUB	Six months ended 30 June	
Other income	2019	2018 (restated)
Gain on disposal of property, plant and equipment	14	-
Other income	117	190
Fees and penalties received	-	26
	131	**216**
Other expenses		
Impairment loss on inventories (note 17)	(458)	(1 524)
Fees and penalties incurred	(23)	-
Other expenses	(161)	(119)
	(642)	**(1 643)**
Other expenses, net	**(511)**	**(1 427)**

9 Personnel costs

mln RUB	Six months ended 30 June 2019	2018
Wages and salaries	3 493	3 278
Contributions to the State pension fund	835	826
Equity-settled share based payments (note 10)	-	846
	4 328	**4 950**

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

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

During the six months ended 30 June 2019 personnel costs and related taxes included in cost of production amounted to RUB 2 024 million (six months ended 30 June 2018: RUB 1 805 million). The remaining part of personnel expenses was subsumed within general and administrative expenses and selling expenses in the total amount of RUB 2 304 million (six months ended 30 June 2018: RUB 3 145 million).

The average number of staff employed by the Group during the six months ended 30 June 2019 was 4 606 employees (six months ended 30 June 2018: 4 845 employees).

10 Share-based payment arrangements

Share option programme (equity-settled)

On 1 July 2017, the Group granted share options to certain members of top management of the Group as part of management long-term incentive plan. Each option entitles the holder to a predetermined number of GDRs of the Group based on an increase in the market price of the GDRs in the respective calculating period of each year of the vesting schedule over the maximum market price of the GDRs in the previous years of the vesting schedule. The vesting schedule commenced from 1 July 2017 and was planned to last up to 31 December 2021.

The 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 at 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.

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

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

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

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

In April 2018, the company granted awards in the form of 403 896 GDRs for the Company’s ordinary shares under the Company's management incentive plan to senior management team employees and executive directors. The fair value of the equity instruments granted as measured on the basis of the observable market price for the Company's shares at the grant date of 1 April 2018 amounted to RUB 71 million.

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

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

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

Expected volatility was determined based on historical annual volatility of the Company’s GDRs for the period from 14 April 2011 to 8 June 2018. Dividend yield - as average actual dividend yield of Company’s shares for the period 2014 - 2017.

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

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

Expected volatility was determined based on historical monthly volatility of the Company’s GDRs for the period from 14 April 2011 to 8 June 2018. Dividend yield - as average actual dividend yield of Company’s shares for the period 2014 – 2017.

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

11 Finance income and finance costs

	Six months ended 30 June	
mln RUB	**2019**	**2018 (restated)**
Recognised in profit or loss		
Finance income		
Interest income under the effective interest method on:		
- Bank deposits - at amortised cost	386	200
- Unwinding of discount on trade receivables	279	464
- Cash and cash equivalents (except bank deposits)	852	231
Total interest income arising from financial assets measured at amortised cost	**1 517**	**895**
Gain on write-off of accounts payable	35	84
Reversal of impairment loss on investments	2	4
Net foreign exchange gain	-	121
Finance income - other	**37**	**209**
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expenses- financing component under IFRS 15	(1 286)	(1 245)
- Interest expenses - borrowing costs	(1 959)	(946)
- Interest expense on leases	(120)	-
- Unwinding of discount on other payables	(196)	-
Impairment loss on advances paid to suppliers	(40)	(1)
Net foreign exchange loss	(66)	-
Finance costs	**(3 667)**	**(2 192)**
Net finance costs recognised in profit or loss	**(2 113)**	**(1 088)**

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

	Six months ended 30 June	
mln RUB	**2019**	**2018 (restated)**
Borrowing costs and significant financing component capitalised during the period	241	490
Weighted average capitalisation rate	11,0%	9,8%

During the six months ended 30 June 2019, borrowing costs and significant financing component that have been capitalised into the cost of real estate properties under construction (revenue for which was not recognised over time) in the amount of RUB 677 million (six months ended 30 June 2018: RUB 557 million, as restated), were included into the cost of sales upon construction and sale of those properties – including borrowing costs in the amount of RUB 473 million (six months ended 30 June 2018: RUB 483 million, as restated) and significant financing component in the amount of RUB 204 million (six months ended 30 June 2018: RUB 74 million, as restated).

12 Income tax expense/(benefit)

The Company's applicable tax rate under the Cyprus Income Tax Law is 12,5%. The Cypriot subsidiaries' applicable tax rate is 12,5%. For the Russian companies of the Group the applicable income tax rate is 20% (six months ended 30 June 2018: 20%).

	Six months ended 30 June	
mln RUB	**2019**	**2018 (restated)**
Current tax expense		
Current year	1 690	1 128
Under-provided/(over-provided) in prior year	16	(298)
	1 706	830
Deferred tax expense		
Origination and reversal of temporary differences	(849)	(1 199)
Income tax expense/(benefit)	**857**	**(369)**

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

	Six months ended 30 June	
mln RUB	**2019**	**2018 (restated)**
Profit/(loss) before income tax	1 816	(2 350)
Theoretical income tax at statutory rate of 20%	363	(470)
Adjustments due to:		
Under-provided/(over-provided) in prior year	16	(298)
Effect of 16,5% tax rate *	-	(7)
Expenses not deductible and income not taxable for tax purposes, net	478	406
Income tax expense/(benefit)	**857**	**(369)**

* - During the six months ended 30 June 2018, the operations of JSC "Etalon LenSpetsSMU" were taxable at a rate of 16,5% due to applied tax concession. Effective from 1 January 2019, the income tax rate of JSC "SSMO LenSpecSMU" increased to 20%.

13 Property, plant and equipment

During the the six months ended 30 June 2019, depreciation expense of RUB 103 million (six months ended 30 June 2018: RUB 116 million) has been charged to cost of sales, RUB 16 million (six months ended 30 June 2018: RUB 16 million) to cost of real estate properties under construction, RUB 47 million to other expenses, net (six months ended 30 June 2018: RUB 6 million) and RUB 104 million (six months ended 30 June 2018: RUB 38 million) to general and administrative expenses.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
Cost							
Balance at 1 January 2018	1 176	2 509	139	217	117	1 182	**5 340**
Additions	97	51	9	49	4	56	**266**
Disposals	(11)	(17)	(6)	(8)	-	-	**(42)**
Transfers	1 050	-	-	1	-	(1 051)	**-**
Balance at 30 June 2018	2 312	2 543	142	259	121	187	**5 564**
Balance at 1 January 2019	2 344	2 537	133	270	121	210	**5 615**
Additions	185	30	27	25	-	68	**335**
Acquisition through business combination	374	4	-	20	-	5	**403**
Disposals	(32)	(49)	(18)	(10)	-	-	**(109)**
Transfers	1	-	-	(1)	-	(1)	**(1)**
Balance at 30 June 2019	2 872	2 522	142	304	121	282	**6 243**
Depreciation and impairment losses							
Balance at 1 January 2018	(338)	(1 695)	(89)	(133)	-	-	**(2 255)**
Depreciation for the period	(75)	(74)	(9)	(18)	-	-	**(176)**
Disposals	8	14	5	2	-	-	**29**
Balance at 30 June 2018	(405)	(1 755)	(93)	(149)	-	-	**(2 402)**
Balance at 1 January 2019	(378)	(1 788)	(91)	(163)	-	-	**(2 420)**
Depreciation for the period	(152)	(80)	(9)	(29)	-	-	**(270)**
Disposals	22	38	15	9	-	-	**84**
Balance at 30 June 2019	(508)	(1 830)	(85)	(183)	-	-	**(2 606)**
Carrying amounts							
Balance at 1 January 2018	838	814	50	84	117	1 182	**3 085**
Balance at 30 June 2018	1 907	788	49	110	121	187	**3 162**
Balance at 1 January 2019	1 966	749	42	107	121	210	**3 195**
Balance at 30 June 2019	2 364	692	57	121	121	282	**3 637**

14 Investment property

	Six months ended 30 June	
mln RUB	**2019**	**2018**
Cost		
Balance at 1 January	587	596
Acquisition through business combination	838	-
Additions	3	-
Disposals	(10)	(9)
Balance at 30 June	**1 418**	**587**
Accumulated depreciation and impairment losses		
Balance at 1 January	(281)	(263)
Depreciation for the period	(16)	(9)
Disposals	2	1
Balance at 30 June	**(295)**	**(271)**
Carrying amount at 1 January	306	333
Carrying amount at 30 June	**1 123**	**316**

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 30 June 2019, the fair value of investment property amounted to RUB 1 289 million (31 December 2018: RUB 463 million, 1 January 2018: RUB 458 million), which was determined based on discounted cash flows from the use of the property. The Group did not identify any indicators of impairment as at 30 June 2019, 31 December 2018 and 31 December 2017, and did not recognise any impairment losses for investment property during the six months ended 30 June 2019 and 2018.

15 Other long-term investments

mln RUB	**30 June 2019**	**31 December 2018**	**1 January 2018**
Bank promissory notes - at amortised cost	654	654	652
Loans - at amortised cost	102	101	87
Bank deposits - at amortised cost	23	23	-
	779	**778**	**739**
Loss allowance for loans given	(13)	(13)	(37)
Loss allowance for promissory notes	(4)	(7)	-
	762	**758**	**702**

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26. As at 30 June 2019, bank promissory notes in the amount of RUB 451 million are pledged as security of secured bank loans (as at 31 December 2018: RUB 451 million, as at 1 January 2018: RUB 451 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	**30 June 2019**	**31 December 2018 (restated)**	**1 January 2018 (restated)**	**30 June 2019**	**31 December 2018 (restated)**	**1 January 2018 (restated)**	**30 June 2019**	**31 December 2018 (restated)**	**1 January 2018 (restated)**
Property, plant and equipment	299	236	318	(845)	(928)	(738)	(546)	(692)	(420)
Investments	13	14	273	(66)	(42)	(23)	(53)	(28)	250
Inventories	5 042	4 368	3 775	(5 859)	(585)	(35)	(817)	3 783	3 740
Contract assets and trade and other receivables	946	126	568	(2 873)	(5 041)	(4 842)	(1 927)	(4 915)	(4 274)
Deferred expenses	377	384	239	(730)	(714)	(555)	(353)	(330)	(316)
Loans and borrowings	59	34	185	(32)	(14)	(29)	27	20	156
Provisions	470	394	100	(34)	(32)	44	436	362	144
Contract liabilities and trade and other payables	1 475	3 040	2 032	(2 146)	(142)	(1 166)	(671)	2 898	866
Tax loss carry-forwards	796	74	150	-	(1)	(1)	796	73	149
Other	72	76	73	(218)	(166)	(103)	(146)	(90)	(30)
Tax assets/(liabilities)	9 549	8 746	7 713	(12 803)	(7 665)	(7 448)	(3 254)	1 081	265
Set off of tax	(6 252)	(5 940)	(5 463)	6 252	5 940	5 463	-	-	-
Net tax assets/(liabilities)	**3 297**	**2 806**	**2 250**	**(6 551)**	**(1 725)**	**(1 985)**	**(3 254)**	**1 081**	**265**

(b) Unrecognised deferred tax liability

At 30 June 2019 a deferred tax liability arising on temporary differences of RUB 63 882 million (31 December 2018: RUB 53 401 million, 1 January 2018: RUB 47 494 million) related to investments in subsidiaries was not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

(c) Movement in temporary differences during the period

mln RUB	1 January 2019 (restated)	Recognised in profit or loss	Acquisition through business combination	30 June 2019
Property, plant and equipment	(692)	233	(87)	(546)
Investments	(28)	(8)	(17)	(53)
Inventories	3 783	651	(5 251)	(817)
Contract assets and trade and other receivables	(4 915)	2 357	631	(1 927)
Deferred expenses	(330)	(23)	-	(353)
Loans and borrowings	20	10	(3)	27
Provisions	362	(32)	106	436
Contract liabilities and trade and other payables	2 898	(2 471)	(1 098)	(671)
Tax loss carry-forwards	73	188	535	796
Other	(90)	(56)	-	(146)
	1 081	**849**	**(5 184)**	**(3 254)**

mln RUB	1 January 2018 (restated)	Recognised in profit or loss	30 June 2018 (restated)
Property, plant and equipment	(420)	(103)	(523)
Investments	250	(281)	(31)
Inventories	3 740	(29)	3 711
Contract assets and trade and other receivables	(4 274)	2 194	(2 080)
Deferred expenses	(316)	(33)	(349)
Loans and borrowings	156	(135)	21
Provisions	144	(12)	132
Contract liabilities and trade and other payables	866	(413)	453
Tax loss carry-forwards	149	6	155
Other	(30)	5	(25)
	265	**1 199**	**1 464**

17 Inventories

mln RUB	30 June 2019	31 December 2018 (restated)	1 January 2018 (restated)
Inventories under construction			
Own flats under construction	75 541	39 018	39 546
Built-in commercial premises under construction	7 223	4 229	5 474
Parking places under construction	8 906	9 488	7 650
	91 670	**52 735**	**52 670**
Less: Allowance for inventories under construction	(2 281)	(2 052)	(1 701)
Total inventories under construction	**89 389**	**50 683**	**50 969**
Inventories - finished goods			
Own flats	8 445	8 980	14 645
Built-in and stand-alone commercial premises	3 922	4 543	3 675
Parking places	3 851	2 618	3 233
	16 218	**16 141**	**21 553**
Less: Allowance for inventories - finished goods	(725)	(495)	(415)
Total inventories - finished goods	**15 493**	**15 646**	**21 138**
Other inventories			
Construction materials	1 482	1 692	879
Other	257	325	347
	1 739	**2 017**	**1 226**
Less: Allowance for other inventories	(42)	(22)	(3)
Total other inventories	**1 697**	**1 995**	**1 223**
Total	**106 579**	**68 324**	**73 330**

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

During the year ended 31 December 2017, 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. The Group included the land component of this construction project into 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

During the year ended 31 December 2017, 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. The Group included the land component of this construction project into 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 30 June 2019, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013 – 2019 in the amount of RUB 8 215 million, while the remaining balance of RUB 360 million is included into finished goods and RUB 449 million - into inventories under construction.

At 30 June 2019, the cost of land plots (Project 2) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the six months ended 30 June 2019 in the amount of RUB 3 026 million, while the remaining balance of RUB 51 million is included into finished goods and RUB 1 445 million - into inventories under construction.

At 30 June 2019, the cost of land plots (Project 3) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the six months ended 30 June 2019 in the amount of RUB 2 957 million, while the remaining balance of RUB 123 million is included into finished goods and RUB 1 315 million - into inventories under construction.

At 30 June 2019, the cost of land plots (Project 4) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the six months ended 30 June 2019 in the amount of RUB 732 million, while the remaining balance of RUB 1 068 million is included into inventories under construction.

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to the City Authorities. As at 30 June 2019, the cost of such social infrastructure amounts RUB 1 417 million and is included into the balance of finished goods and inventories under construction (31 December 2018: RUB 1 360 million, 1 January 2018: RUB 1 570 million). These costs are recoverable as part of projects they relate to. The cost of social infrastructure is recognised in cost of sales consistently with the transfer to the customers of the appartments to which this social infrastructure relates.

b) Allowance for impairment of inventories

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

mln RUB	**2019**	**2018 (restated)**
Balance at 1 January	2 569	2 119
Assumed through business combination (note 27)	21	-
Impairment loss on inventories (note 8)	458	1 524
Balance at 30 June	**3 048**	**3 643**

As at 30 June 2019, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 3 048 million (31 December 2018: RUB 2 569 million, as restated, 1 January 2018: RUB 2 119 million, as restated) and the respective allowance was recognised in other expenses, see note 8. As at 30 June 2019, the allowance of RUB 2 857 million relates to parking places (31 December 2018: RUB 2 547 million, as restated, 1 January 2018: RUB 2 116 million, as restated).

The balance of parking places is equal to RUB 12 757 million as at 30 June 2019 (31 December 2018: RUB 12 106 million, as restated, 1 January 2018: RUB 10 883 million, as restated). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;
- Discount rates –12,71% per annum;
- Inflation rates – 4,0 – 4,3% 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 interim financial statements. As at 30 June 2019, the total carrying value of these items of property was RUB 653 million (31 December 2018: RUB 566 million, 1 January 2018: RUB 670 million). The Group is actively seeking buyers for these properties.

d) Pledges

As at 30 June 2019, inventories with a carrying amount of RUB 887 million (31 December 2018: RUB 2 874 million, 1 January 2018: RUB 9 371 million) are pledged as security for borrowings, see note 23.

18 Contract assets, trade and other receivables

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

mln RUB	30 June 2019	31 December 2018	1 January 2018
Long-term trade and other receivables			
Trade receivables	5 234	5 600	5 734
Less: Allowance for doubtful trade accounts receivable	(31)	(65)	(64)
Trade long-term less allowance	**5 203**	**5 535**	**5 670**
Other receivables	357	233	131
Less: Allowance for doubtful other accounts receivable	(8)	(10)	(3)
Other long-term less allowance	**349**	**223**	**128**
Advances paid to suppliers	34	19	1
Total long-term trade and other receivables	**5 586**	**5 777**	**5 799**
Short-term trade and other receivables			
Contract assets	1 577	1 244	1 187
Trade receivables	9 396	8 625	14 016
Less: Allowance for doubtful trade accounts receivable	(752)	(654)	(684)
Trade short-term less allowance	**10 221**	**9 215**	**14 519**
Advances paid to suppliers	10 384	8 075	10 894
Less: Allowance for doubtful advances paid to suppliers	(382)	(348)	(230)
Advances paid to suppliers short-term less allowance	**10 002**	**7 727**	**10 664**
VAT recoverable	3 025	1 380	2 478
Income tax receivable	447	424	579
Trade receivables due from related parties	125	9	6
Other taxes receivable	32	27	22
Other receivables due from related parties	12	9	9
Other receivables	2 144	2 131	1 832
	5 785	**3 980**	**4 926**
Less: Allowance for doubtful other accounts receivable	(557)	(514)	(209)
Other short-term less allowance	**5 228**	**3 466**	**4 717**
Total short-term trade and other receivables	**25 451**	**20 408**	**29 900**
Total	**31 037**	**26 185**	**35 699**

19 Short-term investments

mln RUB	30 June 2019	31 December 2018	1 January 2018
Bank promissory notes - at amortised cost	-	135	-
Bank deposits (over 3 months) - loans and receivables	827	-	153
Loans - at amortised cost	190	205	169
	1 017	**340**	**322**
Loss allowance for loans given	(138)	(137)	(137)
Total	**879**	**203**	**185**

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

20 Cash and cash equivalents

mln RUB	30 June 2019	31 December 2018	1 January 2018
Cash in banks, in RUB	20 242	14 597	6 902
Cash in banks, in USD	1 170	171	2 936
Cash in banks, in EUR	215	19	68
Cash in banks, in GBP	2	2	2
Petty cash	3	3	49
Cash in transit	1	-	3
Short-term deposits (less than 3 months)	14 164	8 274	4 165
Total	**35 797**	**23 066**	**14 125**

The Group keeps major bank balances in the major Russian banks with Standard & Poor's credit ratings of BBB-, BB+, BB -, B as well as in foreign banks with credit ratings A+, CCC+.

At 30 June 2019, the most significant amount of cash and cash equivalents held with one bank totaled RUB 11 233 million (31 December 2018: RUB 7 324 million, 1 January 2018: RUB 3 786 million). At 30 June 2019, the Group also had outstanding loans and borrowings with the same bank of RUB 2 543 million (31 December 2018: RUB 3 345 million, 1 January 2018: RUB 2 012 million). The bank has Standard & Poor's credit rating of BB+.

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

21 Capital and reserves

a) Share capital

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

Number of shares unless otherwise stated

	30 June 2019		31 December 2018	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Authorised shares				
Par value at the beginning of the period	0,00005 GBP	-	0,00005 GBP	-
On issue at the beginning of the period	294 954 025	20 000	286 741 593	20 000
Par value at the end of the period	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
Own shares disposed during the period	-	-	8 212 432	-
On issue at the end of the period, fully paid	**294 954 025**	**20 000**	**294 954 025**	**20 000**

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

c) Reserve for own shares

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

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

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

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

d) Share options reserve

The share options reserve is used to recognise the value of equity-settled share-based payments provided to certain members of the Group's key management personnel, as part of their remuneration, see note 10.

e) Dividends

As the majority of the Company's subsidiaries are incorporated in the Russian Federation, and in accordance with Russian legislation, the subsidiaries' distributable reserves are limited to the balance of retained earnings as recorded in their statutory financial statements prepared in accordance with Russian Accounting Principles. As at 30 June 2019, the total of subsidiaries' retained earnings, including the profits for the current period were RUB 58 052 million (unreviewed) (31 December 2018: RUB 51 501 million (unreviewed), 1 January 2018: RUB 45 846 million (unreviewed)).

During the six months ended 30 June 2018, the Company did not declare any dividends (six months ended 30 June 2018 – declared a dividend of RUB 3 260 million).

f) Non-controlling interests in subsidiaries

During the six months ended 30 June 2019, the Company acquired a 51% stake in JSC "Leader-Invest" (note 27). The non-controlling interest was measured as a 49%-share of the recognised amounts of the acquiree's net identifiable assets and amounted to RUB 15 673 million (six months ended 30 June 2018 - no significant changes in non-controlling interest).

22 Earnings/(loss) per share

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

Number of shares unless otherwise stated	**2019**	**2018 (restated)**
Issued shares at 1 January	294 954 025	286 741 593
Effect of own shares disposed during the period	-	1 836 642
Weighted average number of shares for the six months ended 30 June	**294 954 025**	**288 578 235**
Profit/(loss) attributable to the owners of the Company, mln RUB	1 542	(1 982)
Basic and diluted earnings/(loss) per share (RUB)	5,23	(6,87)

23 Loans and borrowings

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

mln RUB	30 June 2019	31 December 2018	1 January 2018
Non-current liabilities			
Secured bank loans	15 113	1 411	5 303
Unsecured bank loans	6 148	7 845	6 183
Unsecured bond issues	12 161	8 303	9 932
	33 422	**17 559**	**21 418**
Current liabilities			
Current portion of secured bank loans	929	211	972
Current portion of unsecured bank loans	3 802	1 453	1 482
Current portion of unsecured bond issues	2 498	1 689	36
Current portion of other unsecured loans	-	-	79
	7 229	**3 353**	**2 569**

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 2019	Proceeds from borrowings	Repayment of borrowings	Other changes	Changes from acquisition of subsidiaries (note 27)	30 June 2019
Secured bank loans	1 622	15 185	(1 052)	66	221	16 042
Unsecured bank loans	9 298	534	(500)	2	616	9 950
Unsecured bond issues	9 992	-	(574)	(75)	5 316	14 659
	20 912	**15 719**	**(2 126)**	**(7)**	**6 153**	**40 651**

mln RUB	Currency	Nominal interest rate	Year of maturity	30 June 2019 Face value	30 June 2019 Carrying amount	31 December 2018 Face value	31 December 2018 Carrying amount	1 January 2018 Face value	1 January 2018 Carrying amount
Secured bank loans				**16 014**	**16 042**	**1 622**	**1 622**	**6 275**	**6 275**
Secured bank loan	RUB	CBR's key rate + 2,35%	2024	15 226	15 254	-	-	-	-
Secured bank loan	RUB	CBR's key rate + 1,5%	2020	-	-	-	-	2 287	2 287
Secured bank loan	RUB	13,10%	2020	-	-	-	-	1 028	1 028
Secured bank loan	RUB	11,75%	2022	-	-	802	802	802	802
Secured bank loan	RUB	10,40%	2021	207	207	237	237	750	750
Secured bank loan	RUB	12,00%	2021	-	-	-	-	734	734
Secured bank loan	RUB	9,50%	2020	332	332	332	332	332	332
Secured bank loan	RUB	9,50%	2020	202	202	202	202	127	127
Secured bank loan	RUB	10,68%	2021	47	47	49	49	215	215
Unsecured bank loans				**9 950**	**9 950**	**9 298**	**9 298**	**7 665**	**7 665**
Unsecured bank loan	RUB	9,70%	2021	1 543	1 543	1 543	1 543	2 003	2 003
Unsecured bank loan	RUB	CBR's key rate + 1%	2021	1 000	1 000	1 001	1 001	1 001	1 001
Unsecured bank loan	RUB	8,70% - 8,90%	2021	1 502	1 502	1 502	1 502	1 246	1 246
Unsecured bank loan	RUB	8,80%	2020	1 300	1 300	1 300	1 300	1 300	1 300
Unsecured bank loan	RUB	8,74 - 9,00%	2020	1 200	1 200	1 200	1 200	-	-
Unsecured bank loan	RUB	10,25%	2022	902	902	-	-	-	-
Unsecured bank loan	RUB	9,00%	2018	-	-	-	-	1 000	1 000
Unsecured bank loan	RUB	9,00%	2019	501	501	1 000	1 000	1 000	1 000
Unsecured bank loan	RUB	8,75%	2021	501	501	501	501	50	50
Unsecured bank loan	RUB	8,70%	2022	501	501	501	501	-	-
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	500	500	500	500	-	-
Unsecured bank loan	RUB	11,00%	2019	250	250	-	-	-	-
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	250	250	250	250	50	50
Unsecured bank loan	RUB	8,75%	2018	-	-	-	-	12	12
Unsecured bank loan	RUB	10,10%	2019	-	-	-	-	3	3
Unsecured bond issues				**14 748**	**14 659**	**10 039**	**9 992**	**10 115**	**10 047**
Unsecured bonds	RUB	11,70%	2021	5 210	5 157	-	-	-	-
Unsecured bonds	RUB	8,95%	2022	5 020	4 998	5 018	4 997	5 016	4 983
Unsecured bonds	RUB	11,85%	2021	4 464	4 450	5 021	4 995	5 020	4 985
Unsecured bonds	RUB	9,00%	2018	-	-	-	-	79	79
Unsecured bonds	RUB	8,50%	2019	54	54	-	-	-	-
				40 712	**40 651**	**20 959**	**20 912**	**24 055**	**23 987**

Bank loans are secured by:

- inventories with a carrying amount of RUB 887 million (31 December 2018: RUB 2 874 million, 1 January 2018: RUB 9 371 million), see note 17;
- bank promissory notes with a carrying amount of RUB 451 million (31 December 2018: RUB 451 million, 1 January 2018: RUB 451 million), see note 15;
- pledge of 68% of shares in a subsidiary company JSC "Zatonskoe" which represents RUB 4 065 million in its net assets* (31 December 2018: RUB 3 167 million in net assets, 1 January 2018: RUB 3 555 million in net assets);
- pledge of 100% of shares in a subsidiary company LLC "LS-Rielty" which represents RUB 1 313 million in its net assets* (31 December 2018: RUB 1 024 million in net assets, 1 January 2018: RUB 970 million in net assets).
- pledge of 51% shares of JSC "Leader-Invest", 50% shares of LLC "Razvtie" and 100% of other 34 subsidiary companies of JSC "Leader-Invest" which collectively represent RUB 31 857 million in net assets* (31 December 2018, 1 January 2018: no pledge).
- pledge of 100% shares of JSC "Etalon LenSpetsSMU", LLC "ZhK Moskovskiy" and LLC "Zolotaya Zvezda", which collectively represent RUB 46 727 million in net assets* (31 December 2018, 1 January 2018: no pledge).

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

The bank loans are subject to certain restrictive covenants, which are calculated based on the individual financial statements of certain entities of the Group. Except as described further, there has been no breach of any of the restrictive covenants during the reporting period. However, at the end of the period, three loans violated the non-financial condition. For two loans the Group obtained waivers from the banks before the reporting date and voluntary made an early repayment for one of the loans; for the other, the Group received a waiver from the bank after the reporting date. However, the violation was not a default, and the obligation was not transferred to current liabilities.

24 Provisions

mln RUB	**Warranties**	**Provision for deferred works**	**Provision for onerous contracts**	**Total**
Balance at 1 January 2018	102	1 792	71	1 965
Provisions made during the period	3	47	45	95
Provisions used during the period	(20)	(729)	-	(749)
Balance at 30 June 2018	**85**	**1 110**	**116**	**1 311**
Balance at 1 January 2019	121	909	52	1 082
Provisions made during the period	35	319	4	358
Assumed through business combination	-	47	-	47
Provisions used during the period	(20)	(648)	-	(668)
Provision reversed during the period	-	-	(6)	(6)
Balance at 30 June 2019	**136**	**627**	**50**	**813**
Non-current	136	-	-	136
Current	-	627	50	677
	136	**627**	**50**	**813**

a) Warranties

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

b) Provision for deferred works

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

25 Contract liabilities, trade and other payables

mln RUB	30 June 2019	31 December 2018	1 January 2018
Long-term			
Trade payables	496	72	62
Contract liabilities	1	218	-
Lease liabilities	1 620	-	-
Other payables	751	1 705	2 484
	2 868	**1 995**	**2 546**
Short-term			
Trade payables	5 820	4 878	7 260
Contract liabilities	40 602	26 931	25 649
VAT payable	3 651	2 681	3 188
Payroll liabilities	867	854	733
Other taxes payable	319	306	251
Income tax payable	479	443	85
Lease liabilities	923	-	6
Other payables	7 859	7 565	3 397
	60 520	**43 658**	**40 569**
Total	**63 388**	**45 653**	**43 115**

Long-term other payables and short-term other payables mainly consist of obligation equal to RUB 5 188 million (31 December 2018: RUB 4 624 million, 1 January 2018: RUB 1 938 million) to construct the social infrastructure objects and liability of RUB 1 763 million (31 December 2018: RUB 2 984 million, 1 January 2018: RUB 3 526 million) to the City authorities for change of intended use of land plot recognised as part of inventories.

Contract liabilities include advances from customers in the amount of RUB 5 539 million which will be satisfied after 12 months from the reporting date (31 December 2018: RUB 10 709 million, 1 January 2018: RUB 4 430 million). They are classified within short-term liabilities as the development cycle of construction projects exceeds one year.

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

26 Financial instruments and risk management

a) Accounting classifications and fair values

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

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

- *Level 1 inputs*

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

- *Level 2 inputs*

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

- *Level 3 inputs*

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

mln RUB	Carrying amount			Fair value		
30 June 2019	**At amortised cost**	**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)	16 061	-	**16 061**	-	16 224	**16 224**
Bank deposits (over 3 months)	850	-	**850**	-	850	**850**
Bank promissory notes	650	-	**650**	-	730	**730**
Cash and cash equivalents	35 797	-	**35 797**	35 797	-	**35 797**
	53 358	**-**	**53 358**	**35 797**	**17 804**	**53 601**
Financial liabilities not measured at fair value						
Secured bank loans	-	(16 042)	**(16 042)**	-	(15 519)	**(15 519)**
Unsecured bank loans	-	(9 950)	**(9 950)**	-	(9 864)	**(9 864)**
Unsecured bond issues	-	(14 659)	**(14 659)**	(14 801)	-	**(14 801)**
Trade and other payables	-	(18 337)	**(18 337)**	-	(18 333)	**(18 333)**
	-	**(58 988)**	**(58 988)**	**(14 801)**	**(43 716)**	**(58 517)**

mln RUB	Carrying amount			Fair value		
31 December 2018	**At amortised cost**	**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)	15 518	-	**15 518**	-	15 528	**15 528**
Bank deposits (over 3 months)	23	-	**23**	-	23	**23**
Bank promissory notes	782	-	**782**	-	939	**939**
Cash and cash equivalents	23 066	-	**23 066**	23 066	-	**23 066**
	39 389	**-**	**39 389**	**23 066**	**16 490**	**39 556**
Financial liabilities not measured at fair value						
Secured bank loans	-	(1 622)	**(1 622)**	-	(1 657)	**(1 657)**
Unsecured bank loans	-	(9 298)	**(9 298)**	-	(9 100)	**(9 100)**
Unsecured bond issues	-	(9 992)	**(9 992)**	(10 145)	-	**(10 145)**
Trade and other payables	-	(15 074)	**(15 074)**	-	(14 984)	**(14 984)**
	-	**(35 986)**	**(35 986)**	**(10 145)**	**(25 741)**	**(35 886)**

mln RUB	Carrying amount			Fair value		
1 January 2018	**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)**

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

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

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

Risk management framework

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

b) Credit risk

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

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

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

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 30 June 2019, receivables from one customer equalled to RUB 679 million or 4% of the Group`s consolidated trade and other receivables (31 December 2018: RUB 1 175 million or 8%, 1 January 2018: 1 338 million or 6%).

(ii) Guarantees

As at 30 June 2019 the Group had not provided any financial guarantees to entities outside the Group (31 December 2018 and 1 January 2018: nil).

(iii) Exposure to credit risk

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

	Carrying amount		
mln RUB	**30 June 2019**	**31 December 2018**	**1 January 2018**
Financial assets and contract assets			
Loans and receivables (excluding taxes receivable, advances paid to suppliers), including contract assets *	7 480	7 488	5 988
Bank promissory notes	650	782	652
Bank deposits (over 3 months)	850	23	153
Cash and cash equivalents	35 797	23 066	14 125
	44 777	**31 359**	**20 918**

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

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

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

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

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment	Gross	Impairment
mln RUB	**30 June 2019**		**31 December 2018**		**1 January 2018**	
Not past due	12 340	(121)	11 411	(85)	18 065	(25)
Past due 0-30 days	472	(1)	548	(5)	434	(6)
Past due 31-90 days	285	(10)	475	(42)	179	(5)
Past due 91-120 days	160	(1)	110	(15)	77	(8)
Past due more than 120 days	1 498	(650)	1 690	(572)	1 001	(704)
	14 755	**(783)**	**14 234**	**(719)**	**19 756**	**(748)**

The ageing of loans given at the reporting date was:

	Gross	Impairment	Gross	Impairment	Gross	Impairment
mln RUB	**30 June 2019**		**31 December 2018**		**1 January 2018**	
Not past due	155	(14)	169	(13)	119	-
Past due more than 120 days	137	(137)	137	(137)	137	(174)
	292	**(151)**	**306**	**(150)**	**256**	**(174)**

Allowance for impairment in respect of trade receivables

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

mln RUB	**6 months 2019**	**6 months 2018**
Balance at 1 January	719	748
Amounts written off	(10)	(389)
Net remeasurement of loss allowance	74	105
Balance at 30 June	**783**	**464**

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

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

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

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

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

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

Allowance for impairment in respect of other receivables

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

mln RUB	**6 months 2019**	**6 months 2018**
Balance at 1 January	524	212
Amounts written off	(27)	(4)
Net remeasurement of loss allowance	68	23
Balance at 30 June	**565**	**231**

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

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

mln RUB	6 months 2019	6 months 2018
Balance at 1 January	157	174
Amounts written off	-	(4)
Net remeasurement of loss allowance	(2)	-
Balance at 30 June	**155**	**170**

Allowance for impairment of cash and cash equivalents

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

Allowance for impairment in respect of advances paid to suppliers

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

mln RUB	6 months 2019	6 months 2018
Balance at 1 January	348	230
Amounts written off	(6)	-
Increase during the year	40	1
Balance at 30 June	**382**	**231**

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

c) Liquidity risk

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

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

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

Contractual maturities of financial liabilities were as follows:

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	16 042	21 008	793	1 637	3 505	4 212	4 560	6 301	-
Unsecured bank loans	9 950	11 199	1 624	2 940	4 194	2 441	-	-	-
Unsecured bond issues	14 659	17 248	1 920	1 793	10 559	2 366	610	-	-
Trade and other payables (excluding taxes payable and contract liabilities)	15 793	15 937	9 887	3 091	2 322	233	202	202	-
Lease liabilities	2 543	2 967	617	477	965	700	44	11	153
	58 987	**68 359**	**14 841**	**9 938**	**21 545**	**9 952**	**5 416**	**6 514**	**153**

31 December 2018	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	1 622	1 961	161	218	931	598	53	-	-
Unsecured bank loans	9 298	10 727	915	1 328	4 923	3 396	165	-	-
Unsecured bond issues	9 992	12 125	1 103	1 571	4 022	3 661	1 768	-	-
Trade and other payables (excluding taxes payable and contract liabilities)	15 074	15 362	12 827	471	1 438	588	38	-	-
	35 986	**40 175**	**15 006**	**3 588**	**11 314**	**8 243**	**2 024**	**-**	**-**

1 January 2018	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 contract liabilities)	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**

d) Market risk

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

(i) Currency risk

The Group's exposure to foreign currency risk is limited. As at 30 June 2019, 31 December 2018 and 1 January 2018 the Group's net positions in foreign currency were as follows:

	30 June 2019		31 December 2018		1 January 2018	
mln RUB	**USD**	**EUR**	**USD**	**EUR**	**USD**	**EUR**
Cash and cash equivalents (see note 20)	1 170	215	171	19	2 936	68
Net exposure	**1 170**	**215**	**171**	**19**	**2 936**	**68**

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

The following significant exchange rates applied during the year:

in RUB	**Average rate**		**Reporting date spot rate**		
	Six months ended 30 June 2019	**Six months ended 30 June 2018**	**30 June 2019**	**31 December 2018**	**1 January 2018**
USD 1	65,12	59,35	63,08	69,47	57,60
EUR 1	73,58	71,82	71,82	79,46	68,87

(ii) Interest rate risk

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

Profile

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

mln RUB	**Carrying amount**		
	30 June 2019	**31 December 2018**	**1 January 2018**
Fixed rate instruments			
Financial assets	42 666	29 624	20 783
Financial liabilities	(24 598)	(19 162)	(20 656)
	18 068	**10 462**	**127**
Variable rate instruments			
Financial liabilities	(16 976)	(1 750)	(3 337)
	(16 976)	**(1 750)**	**(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	30 June 2019	31 December 2018	1 January 2018
Total borrowings	40 651	20 912	23 987
Less: cash and cash equivalents	(35 797)	(23 066)	(14 125)
Less: bank deposits over 3 months, notes 19 and 15	(850)	-	(153)
Net debt	4 004	(2 154)	9 709
Total equity	57 335	55 793	58 657
Debt to capital ratio at end of period	0,07	(0,04)	0,17

At 30 June 2019, lease liabilities of RUB 2 543 million (31 December 2018 – nil) are included in trade and other payables (see note 25) and are not included in the total amount of borrowings.

27 Acquisition of subsidiary

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

The primary reason for the acquisition is to increase Group's share of the Moscow residential real estate market and to replenish the landbank.

Consideration transferred

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

Contingent consideration

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

Acquisition-related costs

The Group incurred acquisition-related costs of RUB 49 million related to external legal fees and due diligence costs, which have been included in administrative expenses in the Group's consolidated interim statement of profit or loss and other comprehensive income.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date. Since the initial accounting for the business combination is incomplete by the end of the reporting period in which the combination occured, the Group reported in these consolidated interim financial statements the provisional amounts for the items for which the accounting is incomplete, including inventories and deferred tax liabilities.

mln RUB	Note	Recognised fair values on acquisition
Non-current assets		
Property, plant and equipment	13	403
Investment property	14	838
Other long term investments		4
Deferred tax assets	16	94
Current assets		
Inventories		46 060
Trade and other receivables		1 189
Advances issued		1 781
Short-term investment		752
Cash and cash equivalents		4 704
Other current assets		55
Non-current liabilities		
Loans and borrowings	23	(5 779)
Long-term trade and other payables		(998)
Deferred tax liabilities	16	(5 278)
Current liabilities		
Loans and borrowings	23	(374)
Trade and other payables		(11 416)
Provisions	24	(47)
Total identifiable net assets		**31 988**
Total identifiable net assets acquired (51%)		16 315
Non-controlling interest (49%)		15 673

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

Indemnification assets

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

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

Measurement of fair values

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

Inventories

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

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

The following key assumptions were used by the appraiser:

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

Bargain purchase

The Group recognised the excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed over consideration transferred in the amount of RUB 1 129 million as a gain from bargain purchase within the line "Other income/(expenses), net" in its interim consolidated statement of profit or loss and other comprehensive income (see note 8).

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

If the acquisition of the business had occurred on 1 January 2019, management estimates that consolidated revenue would have been RUB 41 364 million, and consolidated profit for the period would have been RUB 642 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

28 Leases

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

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

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

Future cash outflows to which the Group is exposed that are not reflected in the measurement of lease liabilities arising from variable lease payments (lease payments for land plots leased from municipal or federal authorities) amount to RUB 344 million.

29 Capital commitments

As at 30 June 2019 the Group had no capital commitments (31 December and 1 January 2018: nil).

30 Contingencies

a) Insurance

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

b) Litigation

During the six months ended 30 June 2019, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

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

The appeals were dismissed by both court of original jurisdiction and the appellate court, but returned to the court of original jurisdiction by the court of cassation, involving the Government of Moscow as the third party to the proceeding. As of the date these consolidated interim financial statements have been authorised for issue, the proceeding is still outstanding. The Group does not plan to proceed with the acquisition until parameters established in the initial tender documentation and agreed with the plaintiff would be in place.

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

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 interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

31 Related party transactions

a) Transactions with management

(i) Management remuneration

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

	Six months ended 30 June	
mln RUB	**2019**	**2018**
Salaries and bonuses	176	268
Termination benefit paid to member of key management personnel	45	-
	221	**268**

During the six months ended 30 June 2019 and 2018, the Group did not grant any loans and pensions to its key management personnel. During the six months ended 30 June 2018, the key management personnel was also subject to share-based payment program as disclosed in the note 10.

(ii) Other transactions

Sales to key management personnel are disclosed below:

	Transaction value		Outstanding balance		
	Six months ended 30 June				
mln RUB	2019	2018	30 June 2019	31 December 2018	1 January 2018
(Returns)/sales of apartments and premises	(1)	8	(13)	2	(2)
	(1)	**8**	**(13)**	**2**	**(2)**

b) Transactions with other related parties

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

(i) Revenue

	Transaction value		Outstanding balance		
	Six months ended 30 June				
mln RUB	2019	2018	30 June 2019	31 December 2018	1 January 2018
Other related parties	53	23	137	7	7
	53	**23**	**137**	**7**	**7**

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

(ii) Expenses

	Transaction value		Outstanding balance		
	Six months ended 30 June				
mln RUB	2019	2018	30 June 2019	31 December 2018	1 January 2018
Other related parties	108	69	(442)	(2)	(8)
	108	**69**	**(442)**	**(2)**	**(8)**

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

(iii) Loans

	Amount loaned		Outstanding balance		
	Six months ended 30 June				
mln RUB	2019	2018	30 June 2019	31 December 2018	1 January 2018
Loans given	4	-	59	-	-
Loans received	(91)	-	(2 332)	-	-
	(87)	**-**	**(2 273)**	**-**	**-**

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

32 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	30 June 2019	31 December 2018
JSC "GK Etalon"	Russian Federation	100,00%	100,00%
LLC "EtalonAktiv"	Russian Federation	100,00%	100,00%
JSC "Etalon LenSpetsSMU"	Russian Federation	100,00%	100,00%
JSC "Novator"	Russian Federation	100,00%	100,00%
JSC "LenSpetsSMU-Reconstruktsiya"	Russian Federation	100,00%	100,00%
LLC "Etalon-Invest"	Russian Federation	100,00%	100,00%
JSC "Zatonskoe"	Russian Federation	100,00%	100,00%
LLC "SPM-Zhilstroy"	Russian Federation	100,00%	100,00%
LLC "Zolotaya Zvezda"	Russian Federation	100,00%	100,00%
JSC "Leader-Invest"	Russian Federation	51,00%	-
LLC "Razvitiye"	Russian Federation	51,00%	-
LLC "Nagatinskiy"	Russian Federation	51,00%	-
LLC "Lobachevskogo 120"	Russian Federation	51,00%	-

As at 30 June 2019, the Group controlled 133 legal entities (31 December 2018: 132). Their assets, liabilities, revenues and expenses have been included in these consolidated interim financial statements. The above is a list of the most significant subsidiaries.

33 Events subsequent to the reporting date

Financing events

On 14 August 2019, the Group's subsidiary JSC "GK Etalon" has entered into a nonrevolving credit line agreement with Sberbank for the total amount of RUB 29 785 million with interest rate of CBR key rate + 3% and final repayment date of June 2027. At the time these consolidated financial statements are authorised for issue, the Group has utilised credit line facility in the amount of RUB 14 600 million. The funds were used to finance the acquisition of 49% of share capital of JSC "Leader-Invest" described below.

Subsequent to the reporting date, the Group has obtained additional tranches of loan for the total amount of RUB 780 million with a 10% interest rate and repayable by 2024.

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 30 June 2019 for the total amount of RUB 2 409 million.

Operating events

Acqusition of remaining 49% of share capital of JSC "Leader-Invest"

On 16 August 2019, the Group's subsidiary JSC "GK Etalon" acquired the remaining 49% of the share capital of JSC "Leader-Invest" from Sistema PJSFC for the consideration of RUB 14 600 million, non-controlling interest as at 30 June 2019 amounted RUB 15 673 million. The acquisition was financed by an eight-year credit line provided by Sberbank. The borrowing was secured as follows:

- pledge of 68% of shares in a subsidiary company JSC "Zatonskoe";
- pledge of 100% shares of JSC "Leader-Invest" and its 35 subsidiary companies;
- pledge of 100% shares of JSC "Etalon LenSpetsSMU", LLC "ZhK Moskovskiy" and LLC "Zolotaya Zvezda".

Approval and payment of final dividend for the year ended 31 December 2018

On 2 August 2019, the annual general meeting of the shareholders of the Company approved a final dividend for the year ended 31 December 2018 of USD 0.19 per share, such dividend to be payable on 17 September 2019 to shareholders included to the register of the Company's shareholders as at 30 August 2019.

On 17 September 2019, the Company paid the final dividend of USD 0.19 per share for the year ended 31 December 2018 for the total amount of USD 56 million.