PJSC Group of Companies PIK

Consolidated Financial Statements

for 2019

and Independent Auditors' Report

Contents

Consolidated Financial Statements

Consolidated Statement of Financial Position

In million RUB	Note	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	34 453	26 189	23 696
Intangible assets	17	13 454	1 881	779
Investment property	18	6 626	18 086	23 690
Equity accounted investees	8 (c)	703	-	496
Other investments	20	263	378	301
Accounts receivable	21	1 774	1 597	1 347
Financial instruments measured at fair value through profit and loss	25	10 377	4 434	-
Deferred tax assets	15	593	7 660	7 504
Total non-current assets		**68 243**	**60 225**	**57 813**
Current assets				
Inventories	19	270 967	214 794	202 362
Other investments	20	217	340	342
Income tax receivable		1 475	1 479	1 160
Accounts receivable, including contract assets	21	64 130	30 052	32 385
Cash and cash equivalents	23	66 208	58 601	45 452
Other current assets		763	847	-
Total current assets		**403 760**	**306 113**	**281 701**
Total assets		**472 003**	**366 338**	**339 514**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

Consolidated Statement of Financial Position

In million RUB	Note	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
EQUITY AND LIABILITIES				
Equity	26			
Share capital		41 295	41 295	41 295
Additional paid-in capital		(8 470)	(8 470)	(8 470)
Retained earnings		75 962	45 370	34 255
Total equity attributable to owners of the Company		**108 787**	**78 195**	**67 080**
Non-controlling interests	28	1 501	1 868	599
Total equity		**110 288**	**80 063**	**67 679**
Non-current liabilities				
Loans and borrowings	27	109 608	41 527	44 702
Financial instruments measured at fair value through profit and loss	25	-	-	997
Accounts payable	30	9 807	7 390	10 160
Liabilities from long-term lease contracts	22	4 601	1 611	2 601
Deferred tax liabilities	15	19 856	19 852	16 553
Total non-current liabilities		**143 872**	**70 380**	**75 013**
Current liabilities				
Loans and borrowings	27	29 939	20 719	15 784
Accounts payable, including contract liabilities	30	159 738	162 514	147 250
Liabilities from long-term lease contracts	22	2 023	2 164	2 327
Provisions	29	23 802	28 037	29 885
Income tax payable		2 341	2 461	1 576
Total current liabilities		**217 843**	**215 895**	**196 822**
Total liabilities		**361 715**	**286 275**	**271 835**
Total equity and liabilities		**472 003**	**366 338**	**339 514**

These consolidated financial statements were approved by the Board of Directors on 22 March 2020 and were signed on its behalf by:

Sergey E. Gordeev
President

Elena S. Smakovskaya
Vice-President, Economics and Finance

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In million RUB	Note	2019	2018 (restated)
Revenue from sales of real estate objects accounted for at historical cost		170 054	154 992
Revenue from sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		63 264	80 799
Other revenue		47 317	9 966
Revenue	10	**280 635**	**245 757**
Cost of sales of real estate objects accounted for at historical cost		(113 913)	(107 959)
Cost of sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		(53 933)	(77 255)
Cost of other sales		(37 082)	(6 314)
Cost of sales		**(204 928)**	**(191 528)**
Gross profit from sales of real estate objects accounted for at historical cost		56 141	47 033
Gross profit from sales of real estate objects acquired through business combinations and recognized at fair value on initial recognition		9 331	3 544
Gross profit from other sales		10 235	3 652
Gross profit		**75 707**	**54 229**
Gain/(loss) on disposal of subsidiaries, development rights and investment property, net	9	668	(30)
Distribution expenses		(8 125)	(5 844)
Administrative expenses	13	(10 631)	(9 423)
Loss from change in fair value of investment property	18	(20)	(70)
Impairment profit/(loss) on non-financial assets, net	24	91	(180)
Other income/(expenses), net	12	2 865	(2 049)
Profit from operating activities		**60 555**	**36 633**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In million RUB	Note	2019	2018 (restated)
Finance income	11	7 695	6 489
Finance costs	11	(3 701)	(3 569)
Significant financing component from contracts with customers		(5 166)	(3 910)
Loss from financial activities		**(1 172)**	**(990)**
Share in losses of equity-accounted investees, net of income tax	8 (c)	(145)	(11)
Profit before income tax		**59 238**	**35 632**
Income tax expense	15	(14 125)	(8 739)
Profit and total comprehensive income		**45 113**	**26 893**
Attributable to:			
Owners of the Company		44 900	26 115
Non-controlling interests	28	213	778
Profit and total comprehensive income for the period		**45 113**	**26 893**
Basic and diluted earnings per share, RUB	26 (b)	**67,98**	**39,54**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

		Attributable to equity holders of the Company					
In million RUB	**Note**	**Share capital**	**Additional paid-in-capital**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2018 before changes in accounting policies		**41 295**	**(8 470)**	**28 004**	**60 829**	**599**	**61 428**
Effect of changes in accounting policies	5	-	-	**6 251**	**6 251**	-	**6 251**
Balance as at 1 January 2018 (restated)		**41 295**	**(8 470)**	**34 255**	**67 080**	**599**	**67 679**
Profit for the period (restated)		-	-	26 115	**26 115**	778	**26 893**
Total comprehensive income for the period (restated)		-	-	**26 115**	**26 115**	**778**	**26 893**
Transactions with owners of the Company							
Acquisition of non-controlling interests	8 (d)	-	-	-	-	(212)	**(212)**
Acquisition of subsidiaries, net		-	-	-	-	703	**703**
Dividends	26 (a)	-	-	(15 000)	**(15 000)**	-	**(15 000)**
Total transactions with owners of the Company		-	-	**(15 000)**	**(15 000)**	**491**	**(14 509)**
Balance as at 31 December 2018 (restated)		**41 295**	**(8 470)**	**45 370**	**78 195**	**1 868**	**80 063**
Balance as at 1 January 2019		**41 295**	**(8 470)**	**45 370**	**78 195**	**1 868**	**80 063**
Profit for the period		-	-	44 900	**44 900**	213	**45 113**
Total comprehensive income for the period		-	-	**44 900**	**44 900**	**213**	**45 113**
Transactions with owners of the Company							
Acquisition of non-controlling interests	8 (d)	-	-	-	-	(22)	**(22)**
Decrease of non-controlling interest due to the restructuring of subsidiaries	28	-	-	692	**692**	(692)	-
Acquisition of subsidiaries, net	8 (a)	-	-	-	-	271	**271**
Disposal of subsidiaries, net	9	-	-	-	-	(137)	**(137)**
Dividends	26 (a)	-	-	(15 000)	**(15 000)**	-	**(15 000)**
Total transactions with owners of the Company		-	-	**(14 308)**	**(14 308)**	**(580)**	**(14 888)**
Balance as at 31 December 2019		**41 295**	**(8 470)**	**75 962**	**108 787**	**1 501**	**110 288**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

Consolidated Statement of Cash Flows

In million RUB	Note	2019	2018 (restated)
Cash flows from operating activities			
Profit for the period		**45 113**	**26 893**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	16, 17	3 024	2 237
Gain from reversal of impairment losses on non-financial assets, including amounts recognised in cost of sales, net	19, 24	(415)	(1 018)
(Gain)/loss from disposal of property, plant and equipment and other assets	12	(47)	279
Loss from change in fair value of investment property	18	20	70
Gain/(loss) from disposal of subsidiaries, development rights and investment property, net	9	(668)	30
Share in loss of equity accounted investees, net of income tax	8 (c)	145	11
Finance income	11	(7 695)	(6 489)
Finance costs	11	3 701	3 569
Income tax expense	15	14 125	8 739
Gain on bargain purchase of subsidiaries	8 (a)	(4 719)	(1 298)
		52 584	**33 023**
Changes in:			
Inventories		(43 017)	3 065
Accounts receivable, including contract assets from contracts with customers*		(29 421)	5 467
Accounts payable, including contract liabilities and changes in provision for taxes, other than income tax		(2 583)	7 574
Provisions		(3 670)	(1 860)
Cash flows (used in)/from operations before income taxes and interest paid**		**(26 107)**	**47 269**
Income taxes paid		(8 390)	(5 446)
Interest paid		(8 070)	(8 861)
Net cash (used in)/from operating activities		**(42 567)**	**32 962**

*Changes in accounts receivable, including contract assets and advances for the land plots acquisition in the amount of RUB 6 044 million paid in 2019 (2018: RUB 1 562 million).

** Cash flows from operating activities do not include the funds received by the authorised bank from account holders (real estate customers) as a consideration paid under share participation agreements of RUB 14 916 million (2018: RUB 1 145 million).

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

Consolidated Statement of Cash Flows

In million RUB	Note	2019	2018 (restated)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		241	28
Interest received		2 981	2 462
Acquisition of property, plant and equipment and other intangible assets		(4 150)	(3 882)
Acquisition of subsidiaries, net of cash acquired		(1 437)	(528)
Acquisition of equity accounted investees	8 (c)	(740)	-
Proceeds from disposal of subsidiaries, net of cash		45	(5)
Acquisition of other investments		-	(94)
Proceeds from disposal of investment property		-	573
Loans issued		(221)	(356)
Repayment of loans issued		268	25
Net cash used in investing activities		**(3 013)**	**(1 777)**
Cash flows from financing activities			
Payments for cash-settled financial instruments	27	(2 805)	(2 248)
Payments for lease liabilities	22	(3 010)	(1 853)
Proceeds from borrowings	27	81 750	6 721
Repayment of borrowings	27	(4 082)	(1 527)
Proceeds from issuance of bonds	27	21 636	17 219
Repurchase of bonds	27	(25 271)	(21 206)
Acquisition of non-controlling interests	8 (d)	(22)	(162)
Payment of dividends	26 (a)	(15 000)	(15 000)
Net cash from /(used in) financing activities		**53 196**	**(18 056)**
Increase in cash and cash equivalents, net		7 616	13 129
Effect of exchange rate fluctuations on cash and cash equivalents		(9)	20
Cash and cash equivalents at the beginning of the period		58 601	45 452
Cash and cash equivalents at the end of the period		**66 208**	**58 601**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 70.

1 General information

(a) Organisation and operations

PJSC Group of Companies PIK (the "Company") and its subsidiaries (together referred to as the "Group") comprise mostly closed and open joint stock companies and limited liability companies incorporated under the requirements of the Civil Law of the Russian Federation and companies registered in Cyprus. The Company was established as a privately owned enterprise in 1994. The Company's shares are traded on the Moscow Exchange.

The Company's registered office is 19 Barrikadnaya Str., Moscow, 123242, Russian Federation.

The primary activities of the Group are investing in development projects for construction of residential buildings and areas, sales of real estate properties; construction services; production of construction materials, including concrete panels, window frames and other construction elements, consumed mostly by the Group internally, electricity, water and heating supply, maintenance of apartment services. During 2019 and 2018 the Group primarily operated in Moscow, Moscow region and other regions of Russia.

As at 31 December 2019 the Company is ultimately controlled by Mr. Sergey E. Gordeev.

(b) Business environment

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

Starting from 2014 the United States of America, the European Union and some other countries imposed and gradually tighten economic sanctions on Russian individuals and legal companies. The imposition of economic sanctions has resulted in 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. The longer-term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

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

2 Basis of preparation of consolidated financial statements

Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 Functional and presentation currency of consolidated financial statements

The national currency of the Russian Federation is the Russian Rouble ("RUB"), which is the Company's and its subsidiaries functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million.

4 Use of estimates and judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- note 5 “Changes in accounting policies”;
- note 8 “Acquisition of subsidiaries, associates and non-controlling interests”;
- note 10 “Revenue”;
- note 18 “Investment property”;
- note 24 “Impairment loss on non-financial assets”;
- note 29 “Provisions”.

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 8 “Acquisition of subsidiaries, associates and non-controlling interests”;
- note 18 “Investment property”;
- note 19 “Inventories”;
- note 24 “Impairment loss on non-financial assets”;
- note 25 “Financial instruments measured at fair value through profit and loss”
- note 29 “Provisions”;
- note 32 “Contingent liabilities”.

5 Changes in accounting policies

The accounting policies set out in Note 37 have been applied consistently by Group companies to all periods presented in these consolidated financial statements except for changes described below.

Capitalisation of interest expenses

In 2019 the Group changed its accounting policy regarding the capitalisation of interest expenses.

Previously, the Group used the exemption from IAS 23 “Borrowing costs, which allows under certain conditions to exclude from qualified assets inventories constructed over a long period of time and in large quantities on a regular basis. Interest expenses were not included in the cost of construction objects and were expensed as incurred.

Due to recent amendments in the share participation construction legislation and the transition to escrow accounts scheme for projects under development the Group extends project financing. Bank financing is used to purchase land plots and to pay construction expenses. These circumstances have significant impact on the cost of construction. As a result, the Group decided to amend its accounting policy and to capitalise interest expenses into inventory balance as qualifying assets which represent assets that take a substantial period to get ready for their intended use or sale. Such assets include land plots, infrastructure and social facilities, as well as right-of-use assets. The Group believes the amended approach provides for a more balanced proportion of interest expenses in the cost of construction for which bank financing has been obtained.

The changes in accounting policy has been applied retrospectively by restating comparative information in consolidated statements of financial position as at January 1, 2018 and December 31, 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2018.

The effect of changes in accounting policies regarding capitalization of interest expenses is presented below:

Consolidated Statement of Financial Position as at 31 December 2019:

	As at 31 December 2019		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Deferred tax assets	593	-	593
Inventories	251 478	19 489	270 967
Retained earnings	**60 371**	**15 591**	**75 962**
Non-controlling interests	**1 501**	**-**	**1 501**
Deferred tax liabilities	15 958	3 898	19 856

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2019:

	2019		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Revenue	280 635	-	280 635
Cost of sales	(199 466)	(5 462)	(204 928)
Gross profit	**81 169**	**(5 462)**	**75 707**
Profit from operating activities	**66 017**	**(5 462)**	**60 555**
Finance income	7 695	-	7 695
Finance costs	(11 442)	7 741	(3 701)
Significant financing component from contracts with customers	(7 511)	2 345	(5 166)
Profit before income tax	**54 614**	**4 624**	**59 238**
Income tax expense	(13 200)	(925)	(14 125)
Profit/total comprehensive income	**41 414**	**3 699**	**45 113**
Attributable to:			
Owners of the Company	41 201	3 699	44 900
Non-controlling interests	213	-	213
Basic and diluted earnings per share, RUB	62,38	5,60	67,98

Consolidated Statement of Cash Flows of 2019:

	2019		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Profit for the period	**41 414**	**3 699**	**45 113**
Finance costs	11 442	(7 741)	3 701
Income tax expense	13 200	925	14 125
Changes in:			
Inventories	(46 134)	3 117	(43 017)

Consolidated Statement of Financial Position as at 31 December 2018:

	As at 31 December 2018		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Deferred tax assets	7 660	-	7 660
Inventories	199 929	14 865	214 794
Retained earnings	**33 478**	**11 892**	**45 370**
Non-controlling interests	**1 868**	**-**	**1 868**
Deferred tax liabilities	16 879	2 973	19 852

Consolidated Statement of Financial Position as at 1 January 2018:

	As at 1 January 2018		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Deferred tax assets	7 504	-	7 504
Inventories	194 548	7 814	202 362
Retained earnings	**28 004**	**6 251**	**34 255**
Non-controlling interests	**599**	-	**599**
Deferred tax liabilities	14 990	1 563	16 553

Consolidated Statement of Profit or Loss and Other Comprehensive Income of 2018:

	2018		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Revenue	245 757	-	245 757
Cost of sales	(190 656)	(872)	(191 528)
Gross profit	**55 101**	**(872)**	**54 229**
Profit from operating activities	**37 505**	**(872)**	**36 633**
Finance income	6 489	-	6 489
Finance costs	(10 041)	6 472	(3 569)
Significant financing component from contracts with customers	(5 361)	1 451	(3 910)
Profit before income tax	**28 581**	**7 051**	**35 632**
Income tax expense	(7 329)	(1 410)	(8 739)
Profit/total comprehensive income	**21 252**	**5 641**	**26 893**
Attributable to:			
Owners of the Company	20 474	5 641	26 115
Non-controlling interests	778	-	778
Basic and diluted earnings per share, RUB	31,00	8,54	39,54

Consolidated Statement of Cash Flows of 2018:

	2018		
mln RUB	**Before adjustment**	**Adjustment**	**After adjustment**
Profit for the period	**21 252**	**5 641**	**26 893**
Finance costs	10 041	(6 472)	3 569
Income tax expense	7 329	1 410	8 739
Changes in:			
Inventories	2 446	619	3 065

6 Measurement 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/or 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.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of business combinations was based on market values. The market value of property was the estimated amount for which a property could be exchanged on the date of valuation between market participants in an orderly transaction. The fair value of items of plant, equipment, fixtures and fittings was based on the market approach and cost approach, using quoted market prices for similar items when available and replacement cost when appropriate.

When no quoted market prices were available, the fair value of property, plant and equipment were primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation (via application of discounted cash flow method), and obsolescence.

Investment property

The fair value of investment property is based on valuations, performed by external independent appraisers, who hold recognised, recent and relevant professional qualifications. The fair value of investment property is determined by using income or market equivalent approaches selected individually for each specific investment property being valued.

The market equivalent approach is generally used in the assessment of land plots intended for development where construction plans have not been developed. The income approach is applied to the valuation of properties for rent or intended for rental, as well as to land plots on which construction plans have been already developed.

Intangible assets

The fair value of client lists (client base) acquired through business combination was determined by the income approach using the multi-period excess earnings method, which estimates client base as the net present value of cash flows after deducting all other assets and liabilities of the business.

The fair value of other intangible assets, including those acquired in business combinations was based on the discounted cash flows expected to be derived from the use and eventual sale of these assets.

Inventories

The fair value of inventories acquired in business combinations was based on its estimated present selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete construction and sell the inventories.

Non-derivative financial liabilities

Fair value, which was determined for disclosure purposes, was calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Financial instruments measured at fair value through profit and loss

Fair value of financial instruments measured at fair value through profit and loss, was determined on the basis of discounted cash flows expected to be received at the end of financial instruments contracts.

7 Operating segments

Before 31 December 2018 the management of the Group analysed its operations on the basis of five reportable segments: development and real estate, construction services, industrial segment, construction and maintenance of utility systems, other segment.

According to the Group's strategic growth directions, management structure and reporting in the second half of 2019, the Management reconsidered the composition of reportable segments, analysed regularly. Comparative information for 2018 was recalculated in accordance with the updated composition of reportable segments.

As at 31 December 2019 the Group distinguishes six reporting segments which are its strategic business units:

- "Development": development projects planned and undertaken by the Group, including identification of investment opportunities, the performance of technical and economical feasibility studies, obtaining the necessary construction permits, project management and sale of real estate.
- "Commercial construction": development of construction projects for third-party developers, general contractor's activities, technical supervision and granting rights to use the Group's trademark.
- "Maintenance": maintenance and technical support of residential buildings and other properties, technical maintenance of utility systems and rendering heating, water supply, water discharge and electricity services, provision of internet access services.
- "Industrial segment": production and assembly of prefabricated panel buildings and other related activities, including construction materials and components, production and sale of IoT-devices.
- "Proptech": rent of apartment services, buy and sell real estate in the secondary housing market, repair of premises, agency services for the sale of residential apartments, implementation of IT solutions.
- "Others" segment: rental services and other activities.

The financial results of companies providing maintenance, acquired in July 2019 are included in the "Maintenance" segment, see note 8 (a).

(a) Profit and loss of segments

	Development		Commercial construction		Maintenance		Industrial segment		Proptech		Other		Total	
mln RUB	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
External revenues*	233 478	236 302	26 644	2 600	16 192	4 317	2 376	1 605	963	17	982	916	**280 635**	**245 757**
Inter-segment revenue	1 396	1 145	12 620	934	2 205	2 247	37 290	23 132	17	-	154	163	**53 682**	**27 621**
Total revenue for reportable segments	**234 874**	**237 447**	**39 264**	**3 534**	**18 397**	**6 564**	**39 666**	**24 737**	**980**	**17**	**1 136**	**1 079**	**334 317**	**273 378**
Gross profit/(loss) for reportable segment	**65 620**	**50 989**	**4 730**	**1 658**	**4 588**	**1 347**	**406**	**275**	**55**	-	**308**	**(40)**	**75 707**	**54 229**
Gross margin	**28%**	**22%**	**18%**	**64%**	**28%**	**31%**	**17%**	**17%**	**6%**	**0%**	**31%**	**(4)%**	**27%**	**22%**
Segment assets after elimination of inter-segment assets	380 559	307 181	15 324	16 370	41 847	15 567	26 514	21 422	2 780	59	4 979	5 739	472 003	366 338
Segment liabilities after elimination of inter-segment liabilities	(328 594)	(262 999)	(1 276)	(2 759)	(16 974)	(1 917)	(12 618)	(17 135)	(1 222)	(38)	(1 031)	(1 427)	(361 715)	(286 275)
Net intragroup assets / (liabilities)	37 452	19 319	(4 445)	(5 942)	(16 294)	(6 362)	(13 311)	(5 375)	(1 482)	(68)	(1 920)	(1 572)	-	-
Net segment assets / (liabilities)	**89 417**	**63 501**	**9 603**	**7 669**	**8 579**	**7 288**	**585**	**(1 088)**	**76**	**(47)**	**2 028**	**2 740**	**110 288**	**80 063**

* External revenue from “Development” segment includes:

- revenue from sales of residential property recognised over time in the amount of RUB 215 885 million (2018: RUB 219 105 million);
- revenue from sales of non-residential property and parking spaces recognised over time in the amount of RUB 17 433 million (2018: RUB 16 686 million);
- other development revenue in the amount of RUB 160 million (2018: RUB 511 million).

(b) Geographical information

Activities of reportable segments are conducted mainly in three geographical areas, which are named "Moscow", "Moscow Region" and "Other Regions of Russia" for these consolidated financial statements.

Segment revenues are presented based on the geographical location of the respective segment's assets:

mln RUB	2019	2018
Moscow	177 082	155 303
Moscow Region	85 650	79 753
Other regions of Russia	17 903	10 701
	280 635	**245 757**

(c) Reconciliations of reportable segments' revenues and profit or loss

mln RUB	2019	2018 (restated)
Reconciliation of revenue		
Total revenue of reportable segments	334 317	273 378
Elimination of reportable inter-segment's revenue	(53 682)	(27 621)
Consolidated revenue	**280 635**	**245 757**
Reconciliation of gross profit to profit before tax		
Adjusted reportable segment's profit	75 707	54 229
Consolidated gross profit	**75 707**	**54 229**
Unallocated amounts		
Gain/(loss) from disposal of subsidiarie and investment property, net	668	(30)
Distribution expenses	(8 125)	(5 844)
Administrative expenses	(10 631)	(9 423)
Loss from change in fair value of investment property	(20)	(70)
Gains/(losses) from impairment of non-financial assets, net	91	(180)
Other income/(expenses), net	2 865	(2 049)
Finance income	7 695	6 489
Finance costs	(3 701)	(3 569)
Significant financing component from contracts with customers	(5 166)	(3 910)
Share of loss of equity accounted investees, net of income tax	(145)	(11)
Consolidated profit before income tax	**59 238**	**35 632**

8 Acquisition of subsidiaries, associates and non-controlling interests

(a) Acquisition of subsidiaries in 2019

Acquisition of companies providing residential buildings' maintenance services

In the second half of 2019, the Group and its controlling shareholder entered into several related agreements with a third party to acquire a business providing residential building maintenance services. As a result, the Group obtained control over a 99.9% interest in the parent company and its subsidiaries of the specified business. The transaction also included agreements on the acquisition and subsequent sale of 17 companies in December 2019 providing housing and utilities services. These companies were acquired exclusively for resale and were recognised as assets held for sale upon acquisition. Total acquisition cost amounted to RUB 3 779 million, of which RUB 2 006 million were paid in cash, and the amount of RUB 1 773 million was settled against accounts receivables recognised as a result of transaction when some of acquired companies were sold by the Group in 2017.

The Group's revenue and profit increased by RUB 10 882 million and RUB 951 million for the period from the acquisition date to 31 December 2019 due to business combination, If the business combination was carried out on 1 January 2019, the revenue growth estimated by the Group's management would have amounted to RUB 19 893 million, and profit for the year would have increased to RUB 1 386 million. When determining these indicators, management used the assumptions that fair value adjustments that were made at the date the acquisitions, would be the same if the acquisition took place on 1 January 2019.

Acquisition of the company that provides rental services of residential real estate

In 2019 the Group acquired an additional 31.01% interest in the company that provides rental services for residential real estate. As a result, the Group's share in the company increased to 51%. The total consideration amounted to RUB 360 million, including RUB 30 million, that were paid in 2018, and RUB 330 million were paid in 2019.

The following table summarizes the result of subsidiaries acquisition:

mln RUB	**31 December 2019**	**Apartment buildings maintenance**	**Apartment rental service**
Property, plant and equipment	739	738	1
Intangible assets	11 124	10 742	382
Deferred tax assets	318	318	-
Inventories	194	188	6
Other investment	178	178	-
Accounts receivable	11 859	11 806	53
Loans issued and bank deposits recognised in other investments	899	721	178
Assets held for sale	2 911	2 911	-
Deferred tax liabilities	(2 093)	(2 029)	(64)
Loans and borrowings	(2 822)	(2 822)	-
Accounts payable	(13 893)	(13 880)	(13)
Provisions	(285)	(285)	-
Net identifiable assets, liabilities and contingent liabilities	**9 129**	**8 586**	**543**
Income from profitable acquisition of subsidiaries	(4 719)	(4 719)	-
Non-controlling interests	(271)	(88)	(183)
Total amount of consideration	**4 139**	**3 779**	**360**
Settled against accouts receivable; investments made in previous periods	1 803	1 773	30
Consideration paid	2 336	2 006	330
Cash acquired	(899)	(721)	(178)
Acquisition of subsidiaries, net of cash acquired (included in cash flow from investing activities)	**1 437**	**1 285**	**152**

As a result of the acquisition, the Group recognised income in the amount of RUB 4 719 million since the transaction was completed in a short period under the current market conditions.

As part of the business combination for companies providing maintenance services, the Group recognised Client base as an identifiable intangible asset and property, plant and equipment at their fair values, which were determined by an independent appraiser engaged by the Group's Management.

Fair values of assets held for sale was determined based on sale value less costs to sell, which were known at the date of acquisition.

Measurement of fair values and its allocation to identifiable net assets is based on the following assumptions and valuation techniques:

- all acquired companies are going-concern and will continue their activities in the future;
- as part of the income approach the Multi-Period Excess Earnings (MPEEM) method was used to determine the fair value of the Client base:

- The revenue forecast was based on the tariffs effective in 2019, adjusted for the changes in the consumer price index and the volume of areas under maintenance;
- The average EBITDA margin was set up to 8.7% for existing client base taking into account the Management's expectations;
- The Client base disposal ratio was set at 1.5% per year;
- The discount rate that was applied equals cost of equity of 15.3%;
- The tax rate applied is the Russian statutory income tax rate of 20%.

Property, plant and equipment identified by the Group in the business combinations mainly include land, non-residential buildings and premises and fair values were determined by a market equivalent approach.

The cost of movable assets (machinery and equipment, transport and tools) was determined by market equivalent and cost approaches. As part of the market equivalent approach, the sales comparative method was used which analyses the prices of equipment offers in the secondary market. The cost method included the coefficient of appreciation and direct recalculation based on the price of the manufacturer. The fair value of other objects of property, plant and equipment was assigned equal to their book value as they were purchased recently and potential adjustments were immaterial.

Sensitivity analysis

The management has determined the expected EBITDA margin and the discount rate as key assumptions subject to reasonable change.

The decrease in EBITDA margin by 1 percentage point would result in a decrease in the fair value of the client base by RUB 960 million. The increase in EBITDA margin by 1 percentage point would have the opposite effect of RUB 980 million.

The increase in the discount rate by 1 percentage point would result in a decrease in the cost of the recognised intangible asset by RUB 720 million. The decrease in the discount rate by 1 percentage point would have the opposite effect of RUB 840 million.

(b) Acquisition of subsidiaries in 2018

In May 2018 the Group purchased 100% interest in the utility system company for RUB 1 220 million, of which RUB 1 132 million were paid in cash. The company renders heating, water supply, water discharge and electricity services to commercial and residential customers in the Moscow region. The outstanding balance payable as at 31 December 2018 was RUB 88 million. During 2019, RUB 21 million were paid in cash, and the amount of RUB 67 million was offset.

In October 2018 the Group purchased an additional 5.89% interest in the associated company which provides internet access and construction and installation of low-voltage communication networks services. Consequently, the Group increased its share in the internet access provider company to 50.01%. Consideration was partially paid during previous reporting periods and the amount related to the current period was offset.

In December 2018, the Group purchased 100% interest in general contractor, for immaterial consideration. As a result of this acquisition, the Group recognised income of RUB 1 168 million.

In December 2018, the Group purchased 100% interest in two utility system companies which render heating services for RUB 155 million which were paid in January 2019.

(c) Acquisition of associates

In 2019 the Group acquired non-controlling interests in two companies in the service sector and obtained a significant influence. The consideration paid amounted to RUB 840 million, of which RUB 740 million were paid in 2019 and RUB 100 million in 2018. The Group's share in the fair value of net assets of acquired companies approximates the amount of consideration paid.

(d) Acquisition of non-controlling interests

In May 2019 the Group purchased an additional 1.01% in the leading Russian developer of “Smart house” systems for consideration of RUB 22 million and increased its share to 65.01%. The transaction was recognised directly in the equity.

In February 2018 the Group purchased an additional 26.69% interest in the manufacturer of elevator and electronic equipment for RUB 84 million and increased its share to 87.14%. The transaction was recognised directly in equity.

In February and July 2018 the Group purchased an additional 4.4% in the leading Russian developer of “Smart house” systems for the consideration of RUB 80 million and increased its share to 64%. The transaction was recognised directly in equity.

The total effect from acquisition of non-controlling interests for 2018 amounted to RUB 212 million was attributed directly to equity as a decrease of non-controlling interests and amounted to RUB 48 million was attributed to the other income.

9 Disposals of subsidiaries

In 2019 and 2018, after completion of some construction projects, the Group sold companies included in "Development" and "Other" segments for legal restructuring purposes. The Group also sold assets held for sale, (note 8(a)). The following table summarizes the result of their disposal:

mln RUB	2019	2018
Property, plant and equipment	(21)	-
Intangible assets	(2)	(3)
Investment property	(23)	(127)
Equity accounted investees	-	(1)
Inventories	(96)	(29)
Other investments	(729)	-
Income tax receivable	(389)	-
Accounts receivable, including assets under contracts with customers	(8 368)	(7 738)
Assets held for sale	(2 911)	-
Deferred tax assets	(897)	(269)
Deffered tax liabilities	1 038	89
Loans and borrowings	12	-
Trade and other payables	8 154	7 930
Provisions	1 241	-
Income tax payable	251	-
Net assets	**(2 740)**	**(148)**
Non-controlling interest	137	-
Long-term receivables for the sale of subsidiaries	**3 226**	16
Consideration received by cash	**141**	
Cash and cash equivalents of disposed subsidiaries	(96)	(6)
Gain/(loss) on disposal of subsidiaries, net	**668**	**(138)**
Gain on disposal of development rights, net	-	108
Gain/(loss) on disposal of subsidiaries, development rights and investment property, net	**668**	**(30)**

10 Revenue

(a) Disaggregation of revenue by the timing of revenue recognition

mln RUB	2019	2018
Revenue from sales of real estate anf other development revenue	**233 478**	**236 302**
Revenue from sales of residential property recognised over time	215 885	219 105
Revenue from the sale of non-residential premises and parking spaces recognized over time	17 433	16 686
Other development revenue	160	511
Revenue from other sales	**47 157**	**9 455**
Revenue from other sales of goods and services recognized at a point in time	4 321	2 538
Revenue from construction services recognized over time	26 644	2 600
Revenue from segment "Maintenance", which is recognized over time	16 192	4 317
Total revenue from contracts with customers	**280 635**	**245 757**

Significant financing component recognised in revenue for 2019 amounted to RUB 7 170 million (2018: RUB 10 069 million).

In 2019, revenue from the sale of real estate related to share participation agreements to settle accounts payable for acquired land plots amounted to RUB 210 million (in 2018: RUB 1 344 million).

During the reporting period, the Group revised some construction project budgets, as a result, the percentage of completion of performance obligations under contracts with customers has changed 1% on average, compared with that used in consolidated financial statements for 2018.

In 2019, the Group terminated several real estate sales contracts of RUB 1 064 million (in 2018: 789 million rubles). The revenue for these contracts was reversed in the corresponding reporting periods.

(b) Contract assets and liabilities from contracts of real estate sales

mln RUB	31 December 2019	31 December 2018
Contract assets	10 145	1 997
Trade receivables	581	493
Contract liabilities, including	(93 740)	(100 507)
– *liabilities from contracts with revenue recognised at a point in time*	(300)	(539)
– *liabilities from contracts with revenue recognised over time*	(93 440)	(99 968)

Contract assets are the Group rights for consideration to be received from the contracts with customers of real estate, which contain terms of payment in installment and pace of construction exceeds the payment schedule, or escrow accounts sales scheme were used. Contract liabilities are payments made in advance by customers according to share participant agreements and accrued significant financing component recognised in accounts payable. As at 31 December 2019 the net amount of significant financing component as part of contract liabilities equaled RUB 624 million (31 December 2018: RUB 517 million).

The transaction price was determined considering the significant financing component calculated at the rate from 8% to 9,6% under contracts with customers concluded in 2019 (2018: from 8.5% to 9.5%).

The total amount of performance obligation outstanding at the end of the reporting period is expected to be recognised in revenue over the next three years. As at 31 December 2019 advances received from customers of RUB 81 541 million are expected to be recognised in revenue during the next 12 months (as of 31 December 2018: RUB 83 241 million).

In 2019 the Group recognised revenue of RUB 75 932 million included in obligations under contracts with customers as at 1 January 2019 (2018: RUB 95 568 million).

(c) Contract assets and liabilities from sale of other products and services

Performance obligations and contract assets for other services mainly relate to the services where Group acts as a general contractor, technical supervisor, etc., and presented below:

mln RUB	31 December 2019	31 December 2018
Trade receivables	12 729	6 350
Contract liabilities, including	(9 322)	(11 744)
– *liabilities from contracts with revenue recognised at a point in time*	(814)	(1 928)
– *liabilities from contracts with revenue recognised over time*	(8 508)	(9 816)

11 Finance income and costs

mln RUB	2019	2018 (restated)
Revaluation of cash-settled financial instruments (note 25)	3 138	3 183
Interest income	3 223	2 749
Foreign exchange gains, net	31	264
Write-off of accounts payable	525	114
Other financial income	778	179
Finance income	**7 695**	**6 489**
Interest expense before capitalisation in the cost of real estate objects*	(10 578)	(9 373)
Capitalised interest expense**	7 741	6 472
Total interest expense after capitalization	**(2 837)**	**(2 901)**
Loss on impairment of financial assets	(408)	(668)
Non-controlling interest in profit of the Group's limited liability	(346)	-
Other finance costs	(110)	-
Finance costs	**(3 701)**	**(3 569)**
Net finance costs for the period	**3 994**	**2 920**

* In 2019 interest expenses before capitalization included RUB 8 575 million of interest accrued on bank loans and bonds (2018: RUB 7 608 million).

** In 2019, the amount of interest expenses capitalised to real estate objects under construction amounted to RUB 7 741 million (2018: RUB 6 472 million). The weighted average capitalization rate in 2019 was 9.4% (in 2018: 13.2%).

In 2019 interest expense capitalised in inventories recognised in costs of sales in the amount of RUB 5 762 million rubles (2018: RUB 3 127 million).

12 Other income/expenses, net

mln RUB	2019	2018
Penalties and fines, including provision for litigation and claims	(1 858)	(1 787)
Charity	(66)	(434)
Loss from disposal of property, plant and equipment	(18)	(200)
Tax expenses	(443)	(686)
Result from sale and write-off of other assets	65	(79)
Other income/(expenses), net	466	(161)
Income from profitable acquisition of subsidiaries	4 719	1 298
	2 865	**(2 049)**

13 Administrative expenses

mln RUB	2019	2018
Personnel costs	6 181	6 185
Professional and other services	1 157	711
Research and development	640	612
Taxes	484	458
Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets	533	566
Rent	237	93
Material costs	536	339
Other administrative expenses	863	459
	10 631	**9 423**

14 Personnel costs

mln RUB	2019	2018
Salaries and wages		
Cost of sales	20 191	10 942
Administrative expenses	5 197	4 982
Distribution expenses	1 525	1 387
	26 913	**17 311**
Social payments and social charges		
Cost of sales	4 767	2 766
Administrative expenses	984	1 203
Distribution expenses	409	320
	6 160	**4 289**
Total	**33 073**	**21 600**

15 Income taxes

(a) Amounts recognised in profit and loss

The Group's applicable tax rate is the income tax rate of 20% for Russian companies (2018: 20%). The subsidiaries domiciled in Cyprus were taxed at a rate of 12.5%.

The income tax expense consists of the following:

mln RUB	2019	2018 (restated)
Current tax expense		
Current income tax for the period	(8 065)	(5 828)
Underprovided in previous periods	(92)	(38)
Accrual of tax provision	(391)	(12)
	(8 548)	**(5 878)**
Deferred income tax expense		
Origination and reversal of temporary differences	(5 577)	(2 861)
	(5 577)	**(2 861)**
Total income tax expense	**(14 125)**	**(8 739)**

(b) Reconciliation of effective tax rate

mln RUB	2019	%	2018 (restated)	%
Profit before income tax	59 238	100	35 632	100
Income tax expense at applicable tax rate	(11 847)	(20)	(7 126)	(20)
Unrecognized tax assets	(715)	(1)	(788)	(3)
Underprovided in previous periods	(92)	-	(38)	-
Non-deductible expenses	(1 700)	(3)	(1 119)	(3)
Gain on bargain purchase of subsidiaries	609	1	260	1
Effect of tax rates in foreign jurisdictions	11	-	84	-
Accrual of tax provision	(391)	(1)	(12)	-
	(14 125)	**(24)**	**(8 739)**	**(25)**

(c) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
mln RUB	31 December 2019	31 December 2018 (restated)	31 December 2019	31 December (restated)	31 December 2019	31 December (restated)
Property, plant and equipment	1 919	1 931	(1 546)	(1 113)	373	818
Investment property	7	325	(1 125)	(2 640)	(1 118)	(2 315)
Financial instruments at fair value through profit and loss	-	-	(2 075)	(887)	(2 075)	(887)
Investments	138	515	(64)	(9)	74	506
Intangible assets	7	-	(2 441)	(53)	(2 434)	(53)
Inventories	5 465	5 535	(23 665)	(20 214)	(18 200)	(14 679)
Trade and other receivables	1 002	361	(983)	51	19	412
Trade and other payables	1 093	576	(871)	(125)	222	451
Loans and borrowings	-	-	(65)	(64)	(65)	(64)
Tax loss carry-forwards	3 941	3 619	-	-	3 941	3 619
Tax assets/(liabilities)	13 572	12 862	(32 835)	(25 054)	(19 263)	(12 192)
Set-off of tax	(12 979)	(5 202)	12 979	5 202	-	-
Net tax assets/(liabilities)	**593**	**7 660**	**(19 856)**	**(19 852)**	**(19 263)**	**(12 192)**

(d) Movement in deferred tax balances

mln RUB	1 January 2019 (restated)	Recognised in profit or loss	Reclassification	Effect of disposal	Effect of acquisition*	31 December 2019
Property, plant and equipment	818	(329)	-	(85)	(31)	373
Investment property	(2 315)	(339)	1 528	8	-	(1 118)
Financial instruments at fair value through profit or loss	(887)	(1 188)	-	-	-	(2 075)
Investments	506	(212)	-	(225)	5	74
Intangible assets	(53)	(223)	-	-	(2 158)	(2 434)
Inventories	(14 679)	(2 348)	(1 528)	355	-	(18 200)
Trade and other receivables	412	(661)	-	248	20	19
Trade and other payables	451	(464)	-	(21)	256	222
Loans and borrowings	(64)	-	-	-	(1)	(65)
Tax loss carry-forwards	3 619	187	-	(139)	274	3 941
	(12 192)	**(5 577)**	**-**	**141**	**(1 635)**	**(19 263)**

mln RUB	1 January 2018 (restated)	Recognised in profit or loss	Effect of disposal	Effect of acquisition*	31 December 2018 (restated)
Property, plant and equipment	323	616	(82)	(39)	818
Investment property	(2 754)	439	-	-	(2 315)
Financial instruments at fair value through profit or loss	-	(887)	-	-	(887)
Investments	202	304	-	-	506
Intangible assets	59	51	-	(163)	(53)
Inventories	(13 561)	(1 174)	36	20	(14 679)
Trade and other receivables	2 120	(1 658)	(1)	(49)	412
Trade and other payables	1 275	(822)	(130)	128	451
Loans and borrowings	(92)	28	-	-	(64)
Tax loss carry-forwards	3 379	242	(2)	-	3 619
	(9 049)	**(1 974)**	**(179)**	**(103)**	**(12 192)**

* Including deferred taxes recognised on the acquisition of companies that own land plots.

(e) Unrecognised deferred tax assets

As at 31 December 2019, deferred tax assets of RUB 8 400 million (31 December 2018: RUB 7 685 million) have not been recognised in respect of the deductible temporary differences and tax losses carried forward because it is not probable that future taxable profits will be available against which the Group can utilize the benefits.

(f) Unrecognised deferred tax liabilities related to investments in subsidiaries

As at 31 December 2019, the Group did not recognize a deferred tax liability related to temporary differences of RUB 216 525 million (31 December 2018: RUB 205 254 million) because the Group can control the dividend policy of subsidiaries and the timing of the reversal of temporary differences, or due to the zero rate of the applicable dividend tax.

16 Property, plant and equipment

mln RUB	Buildings	Plant and equipment	Other fixed assets	Construction in progress	Total
Cost / Deemed cost					
As at 1 January 2018	**21 110**	**6 292**	**989**	**2 329**	**30 720**
Acquisitions through business combinations	722	315	50	145	1 232
Additions	-	-	-	4 089	4 089
Disposals	(249)	(252)	(77)	(273)	(851)
Reclassification to inventories	(700)	(40)	-	-	(740)
Reclassification between groups	7	(7)	-	-	-
Transfers	2 025	1 381	349	(3 755)	-
As at 31 December 2018	**22 915**	**7 689**	**1 311**	**2 535**	**34 450**
Acquisitions through business combinations	504	126	92	17	739
Additions	2 570	128	25	3 228	5 951
Additions from inventories	-	-	-	3 937	3 937
Disposals	(375)	(252)	(80)	(103)	(810)
Disposal of subsidiaries	(17)	(4)	(2)	(1)	(24)
Reclassification to inventories	(80)	(6)	(17)	-	(103)
Reclassification between groups	145	(145)	-	-	-
Transfers	3 402	596	371	(4 369)	-
As at 31 December 2019	**29 064**	**8 132**	**1 700**	**5 244**	**44 140**
Accumulated depreciation and impairment losses					
As at 1 January 2018	**(4 462)**	**(1 970)**	**(518)**	**(74)**	**(7 024)**
Depreciation charge	(1 052)	(560)	(195)	-	(1 807)
Disposals	83	142	50	-	275
Reclassification to inventories	255	40	-	-	295
Reclassification between groups	(4)	4	-	-	-
As at 31 December 2018	**(5 180)**	**(2 344)**	**(663)**	**(74)**	**(8 261)**
Depreciation charge	(1 598)	(723)	(330)	-	(2 651)
Reversal of impairment (note 24 (a))	689	-	-	-	689
Disposals	176	280	49	-	505
Disposal of subsidiaries	1	1	1	-	3
Reclassification to inventories	17	1	10	-	28
As at 31 December 2019	**(5 895)**	**(2 785)**	**(933)**	**(74)**	**(9 687)**
Net book value					
As at 1 January 2018	**16 648**	**4 322**	**471**	**2 255**	**23 696**
As at 31 December 2018	**17 735**	**5 345**	**648**	**2 461**	**26 189**
As at 31 December 2019	**23 169**	**5 347**	**767**	**5 170**	**34 453**

(a) Depreciation expense

Depreciation expense of RUB 2 048 million was charged to cost of sales, RUB 112 million to distribution expenses, RUB 491 million to administrative expenses (31 December 2018: RUB 1 275 million, RUB 129 million, RUB 403 million, respectively).

(b) Right-of-use assets

As at 31 December 2019, the net book value of leased property, plant and equipment was RUB 2 540 million (31 December 2018: RUB 96 million).

The information on lease is disclosed in note 22.

(c) Transfer from inventories

In 2019, the Group revised its expectations for the further use of certain engineering infrastructure facilities and plans to utilize them in the "Maintenance" segment. These assets in the amount of RUB 3 715 million were transferred to property, plant and equipment from inventories (2018: RUB 3 million).

17 Intangible assets

mln RUB	Client base	Goodwill	Concession	Software	Other	Total
Cost / Deemed cost						
Balance at 1 January 2018	-	197	-	286	600	1 083
Acquisitions through business combinations	539	-	367	40	7	953
Additions	-	-	-	174	446	620
Disposals	-	-	-	(7)	(381)	(388)
Disposal of subsidiaries	-	-	-	-	(3)	(3)
Balance at 31 December 2018	**539**	**197**	**367**	**493**	**669**	**2 265**
Acquisitions through business combinations	11 102	-	-	-	22	11 124
Additions	-	-	253	266	374	893
Disposals	-	-	-	(50)	(407)	(457)
Disposal of subsidiaries	(2)	-	-	-	-	(2)
Reclassification between groups	(306)	-	-	-	306	-
Balance at 31 December 2019	**11 333**	**197**	**620**	**709**	**964**	**13 823**
Accumulated amortisation and impairment losses						
Balance at 1 January 2018	-	-	-	(36)	(268)	(304)
Amortisation charge	-	-	-	(11)	(419)	(430)
Disposals	-	-	-	-	350	350
Balance at 31 December 2018	-	-	-	**(47)**	**(337)**	**(384)**
Amortisation charge	-	-	(23)	(48)	(302)	(373)
Disposals	-	-	-	**3**	**385**	**388**
Balance at 31 December 2019	**-**	**-**	**(23)**	**(92)**	**(254)**	**(369)**
Net book value						
As at 1 January 2018	**-**	**197**	**-**	**250**	**332**	**779**
As at 31 December 2018	**539**	**197**	**367**	**446**	**332**	**1 881**
As at 31 December 2019	**11 333**	**197**	**597**	**617**	**710**	**13 454**

The client base was acquired in 2019 as a part of business combinations. Client base mainly represented by contracts with apartment owners in the subsidiaries providing maintenance services to customers in completed residential properties and services for the rental of apartments. The Group considers it is highly probable that these contracts are to be prolonged, and it is difficult to determine when the Group will no longer receive economic benefits from this asset. As a result, the client base is recognised as an intangible asset with an indefinite useful life, and amortisation is not accrued.

The customer base acquired in 2018 is mainly represented by contracts with subscribers for the Internet and cable television connection, as well as by contracts on construction and installation works.

18 Investment property

(a) Reconciliation of carrying amount

mln RUB	2019	2018
As at 1 January	18 086	23 690
Reclassification to inventories	(11 412)	(5 407)
Change in fair value	(20)	(70)
Disposal	(28)	(127)
As at 31 December	**6 626**	**18 086**

Investment property consists of land plots with undetermined use. A negative change in the fair value of these land plots during 2019 amounted to RUB 20 million (2018: negative change – RUB 70 million).

(b) Measurement of fair value

The fair value of investment property was determined by external, independent real estate appraisers who have the appropriate recognised professional qualifications and recent experience in evaluating this type of real estate at that location.

To determine the fair value of land plots in 2019 the Group applied a market equivalent approach based on an analysis of all available information on sales of similar objects, while adjustments were made to reflect differences between market equivalent and the evaluated object. Under this approach, current bids for land plots similar to those under valuation were analysed. Sales prices were adjusted for differences in characteristics between the valuation item and comparable land plots. As at 31 December 2019, the fair value of these land plots was RUB 6 626 million (31 December 2018: RUB 6 674 million). The fair value measurement of investment property was classified to Level 3 of the fair value hierarchy based on input data for the valuation methods used and the level of adjustments applied to market equivalents.

In 2018 investment property included land plots, that were ready for project implementation. The Group used the discounted cash flow method. The fair value of their valuation as at 31 December 2018 was RUB 11 412 million. The Group applied the following assumptions:

- Prices for residential real estate were forecasted based on market prices for similar properties in December of each reporting year;
- In determining value in use of the projects, Ruble based cash flows were discounted at an actual pre-tax rates of 13-18 %;
- The growth rates for prices and investment costs were determined in accordance with forecasted level of inflation;
- The volume of future sales corresponds to sales volumes achieved by the Group on similar projects;
- The forecasted density of land plot corresponds to the average index for similar projects of the Group.

In 2019 the balance of these land plots was transferred to inventories.

Sensitivity analysis

A decrease in the basic selling price by 5 percentage points in the comparative method measurement would decrease in the fair value of investment property by RUB 331 million (31 December 2018: a decrease in the fair value of investment property by RUB 334 million). A decrease of selling price by 5 percentage points would lead to decrease in fair value of investment property, determined using the income method by RUB 1 600 million as at 31 December 2018. An increase of selling price by 5 percentage points would have equal but opposite effect on the fair value of investment property.

In 2019, management has determined the discount rate and the basic selling price as key assumptions subject to reasonable changes.

An increase of the discount rate by 1 percentage point would result in a decrease in the fair value of investment property as at 31 December 2018, measured using the discounted cash flow method, by RUB 695 million. A decrease in the discount rate by 1 percentage point would have equal but opposite effect on the fair value of the investment property.

19 Inventories

mln RUB	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Construction in progress, intended for sale, recognised at historical cost	162 887	107 441	103 471
Construction in progress, intended for sale, acquired through business acquisition	74 960	77 220	79 408
Finished goods and goods for resale	20 523	21 005	16 667
Raw materials and consumables	7 735	5 787	2 816
Right-of-use asset	4 862	3 341	-
	270 967	**214 794**	**202 362**
Write down	(3 059)	(3 351)	(4 828)

Construction in progress intended for sale and finished goods mostly consist of apartments, non-residential properties and parking spaces, the costs of land, construction of infrastructure and social facilities related to objects which were not sold to customers and those sold to customers but costs were not fully recognised in cost of sales based on percentage of complete method.

During the reporting period, the Group bought certain land plots for development projects in Moscow, Moscow region and other regions for the total amount of RUB 37 390 million mostly through the acquisition of control in companies which own that land plots. The companies had no other significant assets, liabilities and financial results as at the date of acquisition. Respectively, the consideration paid by the Group for the acquisition of subsidiaries was recognised in construction progress intended for sale. The payment was made partly by cash and the outstanding balance of RUB 4 645 million will be paid within six months after the reporting date.

There were no new contracts for the acquisition of land (lease rights) payable by the execution of share participation agreements in 2019 (2018: RUB 3 980 million). Information on leases is disclosed in note 22.

Construction in progress of RUB 159 769 million relates to construction objects that will be completed in more than twelve months after the reporting date (31 December 2018: RUB 135 859 million).

The capitalization of interest expenses due to the change in the accounting policy increased the initial cost of construction in progress and finished goods. As a result of impairment testing of these assets, the Group reversed impairment of RUB 324 million (31 December 2018: RUB 1 198 million), see note 24.

20 Other investments

mln RUB	31 December 2019	31 December 2018
Non-current*		
Loans issued to third parties in RUB at fixed rates of 9,0%-17,5%	68	72
Other investments	2	33
Bank deposits	193	273
	263	**378**
Impairment losses	(101)	(201)
Current		
Loans issued to third parties in RUB at fixed rates of 9,0%-17,0%	124	340
Banks deposits	93	-
	217	**340**
Impairment losses	(229)	(119)

* As at 31 December 2019 and 31 December 2018 Other investments are recognised at amortised cost.

21 Trade and other receivables, including contract assets

mln RUB	31 December 2019	31 December 2018
Non-current		
Consideration receivable for the sale of subsidiaries	1 774	1 597
	1 774	**1 597**
Impairment losses	(54)	(197)
Current		
Trade accounts receivable	15 678	7 593
Trade receivables of "Maintenance" segment	9 731	1 474
Advances to suppliers and contractors	14 012	9 340
Advances for acquisition of land plots/lease rights, including acquisition of subsidiaries	6 451	3 917
Advances to other suppliers and contractors	6 322	1 599
Taxes receivable	6 567	4 842
Other receivables	5 369	1 287
	64 130	**30 052**
Impairment losses	(3 503)	(2 660)

22 Leases

The contract portfolio of the Group mostly consists of leases of land plots for construction of residential property for sale.

The change in lease liabilities during 2019 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2019	**3 687**	**88**	**-**	**-**	**3 775**
New leases	1 843	2 211	198	93	4 345
Lease modifications	2 220	38	-	-	2 258
Acquired in business combinations	-	218	-	-	218
Interest expense on lease	434	140	10	5	589
Lease payments, including offsets	(4 006)	(491)	(47)	(17)	(4 561)
As at 31 December 2019	**4 178**	**2 204**	**161**	**81**	**6 624**

The change in lease liabilities during 2018 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2018	**4 773**	**155**	**-**	**-**	**4 928**
New leases	357	23	-	-	380
Interest expense on lease	400	11	-	-	411
Lease payments, including offsets	(1 843)	(101)	-	-	(1 944)
As at 31 December 2018	**3 687**	**88**	**-**	**-**	**3 775**

The change in right-of-use asset during 2019 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2019	**3 341**	**84**	**-**	**-**	**3 425**
New leases	1 882	2 382	220	93	4 577
Lease modifications	2 220	38	-	-	2 258
Acquired in business combinations	-	205	-	-	205
Write-off to cost of sales of real estate	(2 190)	(222)	(30)	(6)	(2 448)
Amortisation recognised in administrative expenses	-	(282)	-	(6)	(288)
Transfer to construction in progress	(391)	-	-	-	(391)
As at 31 December 2019	**4 862**	**2 205**	**190**	**81**	**7 338**

The change in right-of-use asset during 2018 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2018	**4 830**	**172**	**-**	**-**	**5 002**
New leases	357	23	-	-	380
Write-off to cost of sales of real estate	(1 846)	-	-	-	(1 846)
Amortisation recognised in administrative expenses	-	(111)	-	-	(111)
As at 31 December 2018	**3 341**	**84**	**-**	**-**	**3 425**

Significant factors for the modification of right-of-use assets and lease liabilities in 2019 were the execution of additional agreements to lease contracts to purchase land plots and/or alteration of the purchase price.

23 Cash and cash equivalents

mln RUB	31 December 2019	31 December 2018
Cash on hand	1	1
Cash in banks	65 862	58 600
Restricted cash	345	-
Cash and cash equivalents	**66 208**	**58 601**

Cash balance on escrow accounts (additional reference information)

mln RUB	31 December 2019	31 December 2018
Escrow accounts	16 061	1 145

Cash, placed on escrow accounts and not recognised in the Group's statement of financial position, represents the amounts deposited by the owners of the accounts in authorised banks (customers of real estate objects) to settle the payment for acquired property under share participation agreements.

As at 31 December 2019 cash amounting to RUB 24 572 million was placed on special bank accounts, which are subject to special banking control (31 December 2018: RUB 15 179 million) under requirements of Federal Law No. 214-FZ.

24 Impairment loss on non-financial assets

At each reporting date the Group reviews impairment indicators for the following assets:

- property, plant and equipment;
- intangible assets;
- inventories;
- advances paid for construction work and other advances.

(a) Property, plant and equipment

The Group analysed carrying amount of property, plant and equipment and analysed it for impairment as at 31 December 2019 and as at 31 December 2018 and did not identify any evidence of impairment at both reporting dates.

Also, in 2019 the Group analysed the carrying value of the administrative building used as Group's headquarters, which was previously impaired. The Group engaged an independent appraiser to determine the fair value of the building at the reporting date. Fair value was determined based on the weighted percentage of the results obtained by the market equivalent approach and the discounted cash flow method within the income approach. As the fair value of the building exceeded the carrying amount, the Group reversed a previously recognised impairment loss of RUB 689 million.

(b) Inventories

In most cases, the Group used discounted cash flows and engaged an independent appraiser to estimate net realizable value of the Group's construction work in progress as at the reporting dates.

The following key assumptions of the discounted cash flow method were used in determining net realizable value:

- Cash flows were projected for each individually significant project;
- Selling prices for the apartments were based on market prices effective in December 2019 for similar real estate;
- Cost of construction was forecasted based on cost per square meter and construction pace in December 2019 for similar real estate;
- An average pre-tax discount rates of 12 -14% was applied to cash flows in determining the recoverable amount of projects.

As a result of testing the impairment of inventories as at 31 December, 2019 amounted to RUB 3 059 million (31 December 2018: RUB 3 351 million).

Sensitivity analysis

The management has determined the discount rate and the selling prices as key assumptions subject to reasonable change.

A reduction in the selling price by 5% would lead to additional impairment of construction work in progress amounted to RUB 350 million as at 31 December 2019 (31 December 2018: RUB 1 200 million).

An increase in the discount rate by 1 percentage point would lead to additional impairment of construction work in progress amounted to RUB 34 million as at 31 December 2019 (31 December 2018: RUB 121 million).

(c) Intangible assets

The Group used the discounted cash flow method to assess the fair value of intangible assets, which mostly consists of the client base of companies providing housing and utilities services. The fair value measurement was based on the following assumptions:

- The revenue forecast is based on the tariffs and the cost of sales in 2019, taking into account the growth of the consumer price index and the volume of serviced areas by as at the date of assessment;
- The EBITDA forecast has not changed significantly since the date of acquisition of companies (see note 8 (a));
- The client base retirement rate was recognised as 1.5% per year;
- A discount rate of 15.3% was applied;
- The applicable income tax rate was equaled to the statutory rate of 20%.

Sensitivity analysis

The sensitivity analysis does not differ significantly from the information disclosed in Note 8 (a) in the acquisition of companies.

(d) Impairment testing results and write down

		31 December 2019			31 December 2018 (restated)		
mln RUB	**Note**	**Gross carrying value**	**Impairment/ write down**	**Carrying value after impairment**	**Gross carrying value**	**Impairment/ write down**	**Carrying value after impairment**
Property, plant and equipment	16	35 304	(851)	34 453	27 894	(1 705)	26 189
Intangible assets	17	13 454	-	13 454	1 881	-	1 881
Inventories	19	274 026	(3 059)	270 967	218 145	(3 351)	214 794
Advances paid	21	28 302	(1 517)	26 785	15 890	(1 034)	14 856
Total		**351 086**	**(5 427)**	**345 659**	**263 810**	**(6 090)**	**257 720**

(e) Impairment losses and reversal of impairment losses

mln RUB	2019	2018
Impairment losses		
Property, plant and equipment	-	(147)
Inventories	(62)	-
Advances paid	(966)	(434)
	(1 028)	**(581)**
Reversal of impairment losses		
Property, plant and equipment	689	-
Advances paid	400	122
Inventories	30	279
	1 119	**401**
	91	**(180)**

In 2019 impairment losses on property, plant and equipment in the amount of RUB 165 million and advances issued in the amount of RUB 83 million were written off against the disposal of related assets. (2018: RUB 149 million and RUB 450 million accordingly).

25 Financial instruments measured at fair value through profit and loss

As at reporting date Group's assets include two cash-settled financial instruments with a total book value of RUB 10 377 million:

- in June 2017 the Group entered into the agreement with the Bank (information about the Bank is disclosed in note 35) with the simultaneous sale of 49 990 198 Group's global depositary which were previously repurchased from the market. During the period of the agreement, the Group is obligated to make quarterly interim payments to the Bank calculated at the key rate of the Central Bank of the Russian Federation + 2.2% of the GDR's sale price. The agreement expires on 29 June 2020 and could be extended every 6 months with notification of one of the parties, but no later than 31 January 2023. The quarterly interim payments in 2019 amounted to RUB 1 113 million (2018: RUB 1 313 million). On initial recognition, the Group recognised the fair value of a cash-settled financial instrument in equity since it was a part of the transaction to sell the GDR to the Bank.

- Under the agreement with the Bank concluded in May 2018, the Group has not repurchased its shares from the open market to deliver them to the bank. The number of shares in the agreement amounted to 60 137 070, and the mandatory monthly prepayments' rate was set equal to the key rate of the Central Bank of the Russian Federation + 1.8%. The contract expires on 31 May 2021, and could be extended every 6 months by notification one of the parties to the transaction, but no later than 31 January 2023. The amount of quarterly interim payments in 2019 amounted to RUB 1 692 million (2018: RUB 935 million). Additionally, the Bank entered into forward transactions with final sellers (hedging counterparties) for the required number of shares. When making the valuation of the cash-settled financial instrument the Group used some unobservable inputs, for example, the Group's cost of debt range and dividend forecast and thus classified cash-settled financial instrument as "synthetic". As a result the fair value of a cash-settled financial instrument on initial recognition was included in the consolidated statement of financial position as deferred charges on financial instruments. During 2019, income from changes in the fair value of cash-settled financial instruments amounted to RUB 3 138 million (for 2018: RUB 3 183 million).

As at 31 December 2019, the fair value of the cash-settled financial instrument under an agreement with the Bank concluded in June 2017 was determined using the following key assumptions:

- The risk-free rate for the remaining contractual term from the reporting date is 5.8% (31 December 2018: 8.8%);
- The annual discount rate was 7.8% (31 December 2018: 9.9%).

As at 31 December 2019, the fair value of the cash-settled financial instrument under an agreement with the Bank concluded in May 2018 was determined using the following key assumptions:

- The risk-free rate for the remaining contractual term from the reporting date is 5.9% (31 December 2018: 8.9%);
- The annual discount rate was 8.1% (31 December 2018: 10.1%).

Sensitivity analysis

A decrease in the forecast selling price by 5 percentage points would result in a decrease in the fair value of cash-settled financial instruments as follows:

- For the agreement concluded in June 2017 by RUB 972 million (31 December 2018: by RUB 869 million);
- For the agreement concluded in May 2018 by RUB 1 114 million (31 December 2018: by RUB 1 023 million).

26 Equity

(a) Dividends

Under the Russian legislation, the Company's reserves to be distributed are limited to the balance of retained earnings as recognised in the Company's statutory financial statements prepared in accordance with the Russian Accounting Principles.

In May 2019 dividends of RUB 15 000 million (RUB 22,71 per share) were declared and approved. The declared dividends were paid in full in June 2019.

In August 2018 dividends in the amount of RUB15 000 million (RUB 22,71 per share) were declared and approved. Declared dividends were paid in full in September 2018.

(b) Weighted average number of shares and earnings per share

The calculation of earnings per share is based on the profit for the year attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares that were in circulation during the year, amounted to 660 497 344 shares (2018: 660 497 344 shares). The Company has no ordinary shares with a potential dilutive effect.

27 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk refer to note 31.

mln RUB	31 December 2019	31 December 2018
Non-current		
Bonds, net of those purchased by the Group	39 850	35 172
Unsecured bank loans	17	4 484
Project financing	62 000	1 871
Secured bank loans	6 996	-
Interest payable	745	-
	109 608	**41 527**
Current		
Bonds, net of those purchased by the Group	9 902	18 180
Unsecured bank loans	4 508	9
Project financing	13 197	1 215
Secured bank loans	1 208	-
Interest payable	1 124	1 315
	29 939	**20 719**
	139 547	**62 246**

As at 31 December 2019 and 31 December, 2018 bank loans and project financing were secured with:

- lease rights/ownership rights of land plots with total area of 844,4 ha (31 December 2018: 21,8 ha); carrying amount of RUB 57 832 million (31 December 2018: RUB 6 593 million);
- shares of certain subsidiaries of the Group;

As at 31 December 2019, the terms of financial liabilities did not significantly change compared to those that were disclosed as at 31 December 2018 except for the terms of new loans and borrowings as indicated below.

Project loans

As at 31 December 2019, the Group received additional project financing, which included project loans for acquisition of land plots in the amount of RUB 32 212 million at the rate from 9.75% to 12%, matured on 14 May 2025.

In September 2019 the Group received project financing from the Bank of RUB 11 500 million at the key interest rate of the Central Bank of the Russian Federation + 2%. The loan matures on 10 September 2024.

During 2019 the Group actively used open credit lines to finance the construction of residential properties and opened new credit lines to finance the construction of residential buildings at a variable interest rate, adjusted depending on escrow accounts balances. As at 31 December 2019, the outstanding amount of these credit lines was RUB 31 660 million, of which RUB 29 789 million were received in 2019, including RUB 28 124 million received from the Bank. Loans mature in 2026.

During 2019 the Group repaid project finance loan of RUB 1 215 million. As at 31 December 2019, the Group's project financing balance amounted to RUB 75 197 million.

General purposes loans

In May 2019 the Group received a secured loan from the Bank of RUB 3 000 million at the key rate of the Central Bank of the Russian Federation + 1.95%. The loan matures on 25 May 2026. The funds were used to finance operating activities.

In July 2019 the Group obtained control in companies providing maintenance services for apartments and other real estate. One of the acquired companies has outstanding secured Bank loan (see note 35) in the amount of RUB 2 822 million for a period until 25 December 2022. The loan rate was set at a key rate of the Central Bank of the Russian Federation + 3.25%. As at 31 December 2019, this loan was repaid in full.

In the fourth quarter of 2019, the Group received a secured loan from the Bank of RUB 4 333 million at the key rate of the Central Bank of the Russian Federation + 2.2%. Loan matures on 30 September 2024.

In the fourth quarter of 2019, the Group entered into a revolving credit facility agreement with a limit of RUB 5 000 million at the key rate of the Central Bank of the Russian Federation + 2.2% maturing in December 2023, of which RUB 915 million were received in 2019. As at 31 December 2019, the outstanding loan balance amounted to RUB 906 million.

As at 31 December 2019, the Group repaid secured bank loans of RUB 45 million, including RUB 36 million to the Bank (in 2018: RUB 1 300 million).

Issue and redemption of bonds

In the first half of 2019, the Group sold previously purchased bonds with a nominal value of RUB 13 136 million with an effective yield of 8.27% to 11.05%.

In August 2019 the Group redeemed bonds of RUB 6 755 million at the market through an early offer (in 2018 the Group redeemed bonds of RUB 3 877 million through an early offer).

In September 2019 the Group redeemed previously placed bonds in the amount of RUB 8 966 million, and Group companies early repurchased bonds of RUB 7 950 million (in 2018 the Group fully redeemed bonds of RUB 9 340 million).

During 2019 the Group redeemed bonds of RUB 1 600 million by repayment of a part of the par value.

In the fourth quarter of 2019, the Group placed two bond issues in the amount of RUB 1 500 and RUB 7 000 million with the maturity on 12 April 2023 and 11 December 2024, respectively. The coupon rate for the issue of RUB 1 500 million is set at the key rate of the Central Bank of the Russian Federation + 1.5%. The coupon rate for the issue of RUB 7 000 million is set at 8.25%. The frequency of coupon payment for the first issue is once every six months, for the second issue is once a quarter.

Terms and conditions of outstanding loans and borrowings

Terms and conditions of outstanding loans and borrowings were as follows:

mln RUB	31 December	31 December 2018
Project finance		
RUB - fixed at 9.75%-12.00%	32 037	-
RUB - key interest rate + 2.00%	11 500	-
RUB - variable interest rate*	31 660	3 086
Secured bank loans		
RUB - key interest rate + 1.95%	2 965	-
RUB - key interest rate + 2.20%	5 239	-
Unsecured bank loans		
RUB - key interest rate + 1.45%	4 525	4 493
Bonds		
RUB - fixed at 8.25%-13.00%	35 369	40 468
RUB - key interest rate + 0.50%	6 999	6 999
RUB - key interest rate + 1.45%	5 884	5 885
RUB - key interest rate + 1.50%	1 500	-
Interest payable	1 869	1 315
	139 547	**62 246**

* the rate is set at the key rate of the Central Bank of the Russian Federation + 2% with capitalization up to a rate of 9.9%, with no payments of both interest and loan till maturity (31 December 2018: key rate of the

Central Bank of the Russian Federation + 2.27% to key rate of the Central Bank of the Russian Federation + 3,25%, adjusted depending on cash balances places by customers on the escrow accounts).

The fair value of bonds is disclosed in Note 31 (e).

Reconciliation of changes of liabilities and cash flows arising from financing activities

mln RUB	Bonds, net of those purchased by the Group	Loans and borrowings	Lease liabilities	Financial instruments measured at fair value through profit and loss	Non-controlling interest	Dividends	Total
As at 31 December 2018	**54 645**	**7 601**	**3 775**	**(4 434)**	**1 868**	**-**	**63 455**
Proceeds	21 636	81 750	-	-	-	-	103 386
Cash payments	(25 271)	(4 082)	(3 010)	(2 805)	(22)	(15 000)	(50 190)
Net cash from financing activities	**(3 635)**	**77 668**	**(3 010)**	**(2 805)**	**(22)**	**(15 000)**	**53 196**
Interest payable	5 696	2 964	589	-	-	-	9 249
Interest paid	(6 173)	(1 897)	-	-	-	-	(8 070)
Effect of transaction costs	-	(144)	-	-	-	-	(144)
New leases or lease modifications	-	-	6 821	-	-	-	6 821
Lease offsets	-	-	(1 551)	-	-	-	(1 551)
Revaluation of cash-settled financial instruments	-	-	-	(3 138)	-	-	(3 138)
Dividends	-	-	-	-	-	15 000	15 000
Acquisition of subsidiaries	-	2 822	-	-	271	-	3 093
Profit for the reporting period	-	-	-	-	213	-	213
Change in non-controlling interests due to the restructuring	-	-	-	-	(692)	-	(692)
Disposal of subsidiaries	-	-	-	-	(137)	-	(137)
As at 31 December 2019	**50 533**	**89 014**	**6 624**	**(10 377)**	**1 501**	**-**	**137 295**

mln RUB	Bonds, net of those purchased by the Group	Loans and borrowings	Lease liabilities	Financial instruments measured at fair value through profit and loss	Non-controlling interest	Dividends	Total
As at 1 January 2018	**59 789**	**697**	**4 928**	**997**	**599**	**-**	**67 010**
Proceeds	17 219	6 721	-	-	-	-	23 940
Cash payments	(21 206)	(1 527)	(1 853)	(2 248)	(162)	(15 000)	(41 996)
Net cash from financing activities	**(3 987)**	**5 194**	**(1 853)**	**(2 248)**	**(162)**	**(15 000)**	**(18 056)**
Interest payable	7 485	83	411	-	-	-	7 979
Interest paid	(8 152)	(84)	-	-	-	-	(8 236)
Effect of transaction costs	(490)	26	-	-	-	-	(464)
New leases or lease modifications	-	-	380	-	-	-	380
Lease offsets	-	-	(91)	-	-	-	(91)
Revaluation of cash-settled financial instruments	-	-	-	(3 183)	-	-	(3 183)
Accrual of dividends	-	-	-	-	-	15 000	15 000
Acquisition of subsidiaries	-	1 685	-	-	703	-	2 388
Profit for the reporting period	-	-	-	-	778	-	778
Acquisition and change in non-controlling interests	-	-	-	-	(50)	-	(50)
As at 31 December 2018	**54 645**	**7 601**	**3 775**	**(4 434)**	**1 868**	**-**	**63 455**

28 Non-controlling interest

	Developer	Internet provider	Manufacturer of elevator equipment	Other	Total
Balance as at 1 January 2019	736	661	136	335	1 868
(Loss)/profit for the period	-	(47)	208	52	213
Acquisition and change in non-controlling interests	-	-	-	(22)	(22)
Acquisition of subsidiaries, net	-	-	-	271	271
Change in non-controlling interests due to restructuring of subsidiaries	(692)	-	-	-	(692)
Disposal of subsidiaries	(44)	-	-	(93)	(137)
Balance as at 31 December 2019	**-**	**614**	**344**	**543**	**1 501**

	Developer	Internet provider	Manufacturer of elevator equipment	Other	Total
Balance as at 1 January 2018	78	-	365	156	599
(Loss)/profit for the period	658	-	(17)	137	778
Acquisition and change in non-controlling interests	-	-	(212)	-	(212)
Acquisition of subsidiaries, net	-	661	-	42	703
Balance as at 31 December 2018	**736**	**661**	**136**	**335**	**1 868**

29 Provisions

mln RUB	**Provision for cost to complete**	**Provision for unprofitable contracts**	**Provision for taxes**	**Total**
As at 1 January 2019	**24 744**	**881**	**2 412**	**28 037**
Additional provisions	10 429	2 861	1 090	14 380
Releases of provisions	(3 315)	(1 765)	(699)	(5 779)
Utilisation	(9 963)	(1 632)	-	(11 595)
Disposal through disposal of subsidiaries	-	-	(1 241)	(1 241)
As at 31 December 2019	**21 895**	**345**	**1 562**	**23 802**

	Provision for cost to complete	**Provision for unprofitable contracts**	**Provision for taxes**	**Total**
As at 1 January 2018	**26 947**	**538**	**2 400**	**29 885**
Additional provisions	17 504	881	591	18 976
Releases of provisions	(129)	(144)	(579)	(852)
Utilisation	(19 578)	(394)	-	(19 972)
As at 31 December 2018	**24 744**	**881**	**2 412**	**28 037**

The Group used assumptions, which are subject to uncertainty and judgments in calculation of provisions. Estimated costs to complete represent the Group's future costs forecasts, which are expected to be incurred by the Group in the course of the construction of infrastructure facilities and other local amenities, such as schools, parking places, commercial real estate etc., which the Group is obliged to build as part of projects.

The estimate depends on changes in the rules and standards of urban development, which can result in adjustments to construction projects' parameters, as well as changes in construction materials and labor force prices.

The provision for cost to complete includes amounts the Group should spend to construct infrastructure facilities and other local amenities which would not be transferred into joint ownership of customers, in proportion to constructed meters of apartment buildings, where the sales are open, to finalize the construction of objects obtained in transactions related to purchase of land plots or right-of-use assets.

As at 31 December 2019 the tax provision is mostly related to deductibility of certain expenses for tax purposes and intercompany transactions and includes provision for income tax of RUB 1 562 million including related penalties (31 December 2018: provision for income tax of RUB 2 283 million and other taxes of RUB 129 million).

30 Accounts payable, including contract liabilities

mln RUB	**31 December 2019**	**31 December 2018**
Non-current		
Accounts payable for land acquisition	8 469	6 607
Amounts due to customers under construction contracts	348	-
Other advances received	495	660
Other liabilities	495	123
	9 807	**7 390**
Current		
Advances received from buyers and customers	93 441	104 553
Liabilities on real estate transfer within acquisition of land plots	8 639	5 931
Other advances received	8 954	12 498
Accounts payable for construction works and other trade payables	14 000	19 123
Trade payables of "Maintenance" segment	10 038	742
Accounts payable for land acquisition	3 019	4 573
Amounts due to customers under construction contracts	266	81
Payables to employees	6 382	5 405
Other taxes payable	9 325	5 915
Other payables	5 674	3 693
	159 738	**162 514**

Other non-current liabilities include non-controlling interest in limited liability companies registered in the Russian Federation in the amount of RUB 408 million (31 December 2018: RUB 123 million).

The information about the Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 31.

31 Financial instruments

(a) Overview

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 capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's 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, aims to develop 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 the Group's financial assets measured at amortised cost, which include cash and cash equivalents, receivables and other investments. During the reporting period, there were no significant changes in the structure of financial assets, their credit quality and valuation methods.

(i) Sale of apartments to individuals

The Group is not significantly exposed to credit risk in connection with sales of apartments to individuals as such sales are mostly arranged on a prepayment basis or using escrow accounts.

(ii) Accounts receivable from organisations

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The management of the Group analyses accounts receivable depending on the category of customers.

For the purpose of effective control over credit risk levels, customers are grouped according to their credit characteristics, including the type of contract, aging profile, maturity and credit history. The structure of the analysed receivables is as follows:

- Accounts receivable from construction services contracts and the sales of real estate, including contract assets;
- Accounts receivable from customers of services provided by the "Maintenance" segment;
- Other receivables.

The management 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 offered. These terms also specify certain penalties in the event of late payment.

The Group generally provides services such as construction services if a warranty or a bank guarantee is provided.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to the Group's subsidiaries.

Exposure to credit risk

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

The maximum exposure to credit risk at the reporting date was:

mln RUB	31 December 2019	31 December 2018
Loans issued and bank deposits recognised in other investments	480	685
Accounts receivable, including contractual assets	32 552	11 951
Cash and cash equivalents	66 208	58 601
	99 240	**71 237**

Impairment losses

The change in impairment loss allowance (expected credit losses) in respect of financial assets of the Group measured at amortised cost during the year was as follows:

	Other investments	Accounts receivable, including contract assets	Total
Impairment loss allowance as at 1 January 2019	**320**	**1 824**	**2 144**
Increase of expected credit losses for the period, net	10	216	226
Impairment loss allowance as at 31 December 2019	**330**	**2 040**	**2 370**

	Other investments	Accounts receivable, including contract assets	Total
Impairment loss allowance as at 1 January 2018	**295**	**1 257**	**1 552**
Increase of expected credit losses for the period, net	25	567	592
Impairment loss allowance as at 31 December 2018	**320**	**1 824**	**2 144**

During the reporting period, there were no cases of downward movement of credit rating.

The following table provides information about accounts receivable and other investments, measured at amortised cost, grouped by assets and their credit rating:

(i) Accounts receivable, including contract assets

Group's internal credit rating	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019	Gross carrying amount as at 31 December 2018	Impairment loss as at 31 December 2018
A- to A++	104	-	155	(17)
B- to B++	16	-	12	(2)
C- to C++	207	(58)	255	(19)
D- to D++	274	(73)	436	(106)
E- to E++	51	(41)	-	-
Default	158	(158)	180	(176)
Total	**810**	**(330)**	**1 038**	**(320)**

The probability of credit losses on receivables from individuals or contract assets in the total amount of RUB 10 724 million as at 31 December 2019 (31 December 2018: RUB 2 490 million) is estimated to be low since the collection rate of payments is high, and the receivables are secured by assets and cash on escrow accounts.

(ii) Accounts receivable from customers of housing and utilities services

As at 31 December 2019	Weighted average loss rate	Gross carrying amount	Impairment loss as at 31 December 2019
ths RUB			
0-30 days	2.86%	3 779	(108)
31-90 days	2.88%	2 017	(58)
90-180 days	2.91%	721	(21)
180-360 days	2.87%	767	(22)
more than 360 days	18.39%	1 881	(346)
Total		**9 165**	**(555)**

(iii) Other investments

Credit rating	Gross carrying amount as at 31 December 2019	Impairment loss as at 31 December 2019	Gross carrying amount as at 31 December 2018	Impairment loss as at 31 December 2018
A- to A++	104	-	155	(17)
B- to B++	16	-	12	(2)
C- to C++	207	(58)	255	(19)
D- to D++	274	(73)	436	(106)
E- to E++	51	(41)	-	-
Default	158	(158)	180	(176)
Total	**810**	**(330)**	**1 038**	**(320)**

(iv) Cash and cash equivalents

Cash and cash equivalents are placed in banks and financial institutions, rated not lower than B+ based on classification of international rating agencies “S&P Global Ratings”, “Fitch” and “Moody’s”. The Group assesses the expected credit losses as not significant.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

Group’s financial department carries out liquidity risk management (including risks which the Group would face in the long-, medium- and short-term periods) under governance approved and provided by the Board of Directors that is reviewed regularly to reflect changes in the market conditions.

The liquidity position is centrally managed for all subsidiaries of the Group to control cash balances available at any time.

Covenant compliance risk

The Group actively monitors compliance with all debt covenants and, in case of the risk of default, initiates negotiations with the lenders to amend the respective facility agreement, before any event of default occurs.

The following are the contractual maturities of the financial liabilities, including estimate interest payments, except for quarterly interim payments to bank disclosed in note 31 (e).

31 December 2019

mln RUB	Carrying amount	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-5 yrs	5-10 yrs	Total
		Contractual cash flows						
Bank loans	87 926	12 539	6 486	9 288	19 653	32 150	8 000	88 116
Bonds	49 752	8 135	1 770	12 810	12 845	7 479	7 000	50 039
Interest payable	1 869	4 442	3 773	4 943	3 974	4 332	9 108	30 572
Trade and other payables	58 016	48 166	1 882	3 878	2 330	2 501	3 218	61 975
Lease liabilities	6 624	1 023	1 482	2 201	1 365	1 511	509	8 091
	204 187	**74 305**	**15 393**	**33 120**	**40 167**	**47 973**	**27 835**	**238 793**

31 December 2018

mln RUB	Carrying amount	0-6 mths	6-12 mths	1-2 yrs	2-3 yrs	3-5 yrs	5-10 yrs	Total
		Contractual cash flows						
Bank loans	7 579	3	1 220	4 509	357	1 517	-	7 606
Bonds	53 352	-	18 323	4 583	12 420	11 345	7 000	53 671
Interest payable	1 315	3 461	3 121	3 644	2 043	1 979	2 172	16 420
Trade and other payables	46 262	39 025	897	1 569	1 482	2 581	4 245	49 799
Finance lease liabilities	3 775	1 848	385	587	493	346	105	3 764
	112 283	**44 337**	**23 946**	**14 892**	**16 795**	**17 768**	**13 522**	**131 260**

(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.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled on a net basis.

(i) Currency risk

The Group is exposed to currency risk on purchases and cash balances that are denominated in a currency other than the Russian Rouble (RUB). These transactions, which could be exposed to foreign currency risks are typically denominated in U.S. Dollars (USD).

Borrowings and arising interest payments are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in RUB. This provides a natural economic hedge and no currency derivatives are used by the Group.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

Exposure to currency risk of the group determined from the nominal value of financial instruments was immaterial in 2019 and 2018.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be attributed to fixed or variable rates. However, at the time of obtaining new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

Profile

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

mln RUB	Note	31 December 2019	31 December 2018
Financial assets with variable rate		**10 377**	**4 434**
Financial instruments at fair value through profit or loss	25	10 377	4 434
Financial assets with fixed rate		**28 027**	**26 439**
Bank deposits included in cash and cash equivalents		25 775	24 157
Long-term receivables	21	1 774	1 597
Loans issued and bank deposits included in other investments	20	478	685
Financial liabilities with variable rate		**(72 141)**	**(21 778)**
Loans and borrowings	27	(72 141)	(21 778)
Financial liabilities with fixed rate		**(85 518)**	**(55 423)**
Accounts payable for land acquisition	30	(11 488)	(11 180)
Loans and borrowings	27	(67 406)	(40 468)
Lease liabilities	22	(6 624)	(3 775)
		(119 255)	**(46 328)**

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, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis of financial liabilities with variable interest rate

As at 31 December 2019, the change in interest rates by 1 percentage point would result in an increase (a decrease) of the interest expenses before capitalization in the inventory balance by RUB 323 million (31 December 2018: RUB 79 million).

(e) Fair values and carrying amounts

As at 31 December 2019 and 31 December 2018 the carrying amounts of the Group's financial assets and liabilities did not differ significantly from their fair values, except for bonds. As at 31 December 2019 the fair value of bonds, net of those purchased by the Group, exceeded their carrying amount by RUB 1 272 million (31 December 2018: RUB 1 413 million).

(f) Capital management

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors capital structure goal defined as net debt divided by Earnings before interest, income taxes, depreciation and amortisation (EBITDA). The calculation of net debt and EBITDA is disclosed in note 39.

32 Contingent liabilities

(a) Insurance

The insurance industry in the Russian Federation is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available.

The Group has insured its property and equipment to compensate for expenses arising from accidents. The Group has also insured certain professional and financial risks in relation to the quality of construction works. The Group does not have full coverage for business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to Group's operations.

The Group does not have insurance in respect of any "force majeure" circumstances, which may arise in relation to constructed buildings in the period after the sales have been recognised until the time when ownership rights are registered with the customer or acceptance act is signed in respect of share participation agreements. The risk of damage in case of "force majeure" circumstances in these periods is borne by the Group.

The Group transfers funds under obligatory insurance contributions to the fund of defense of the legitimate rights of citizens, who are participants of shared participation agreements. Insurance cases under the above agreements include those subject of pledge, as well as bankruptcy of developers, failure to fulfill obligations to participants of shared participation agreements on transfer of the item to them as established in the agreement. The minimum established insurance amount under these insurance contracts is equal to the sum of concluded shared participation agreements.

Until the Group obtains full insurance coverage, there is a risk that the loss or destruction of certain assets and other circumstances could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

The Group is involved in various claims and legal proceedings relating to contracts with customers to supply properties, construction materials and construction services. As at 31 December 2019 the Group made a provision for litigation claims, which have a high probability of funds outflows amounted RUB 2 169 million and included these liabilities in accounts payable (as of 31 December 2018: RUB 1 382 million). Also, Management believes that an additional outflow of economic benefits of RUB 467 million is possible, but unlikely (as at 31 December 2018: RUB 654 million). The legal claims are expected to be settled in the next reporting period.

(c) Taxation contingencies

Taxation system

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes 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. Recent events within the Russian Federation demonstrate that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 changes aimed at regulating tax consequences of transactions with foreign companies and their activities were introduced, such as the concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group’s tax position and create additional tax risks going forward. This legislation and practice of its application is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Group’s 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, these interpretations by the tax authorities and courts could be different, especially considering the recent reform of the higher courts, responsible for arbitration of tax disputes, and the effect on these consolidated financial statements, if the tax authorities will be successful in enforcing their interpretations, could be significant.

In addition, the Group acquires works, services, raw materials and materials from various suppliers that are fully responsible for tax and financial reporting compliance. Meanwhile, the current practice of the tax authorities indicates that claims of the tax authorities to the suppliers related to non-compliance with tax legislation can lead to additional tax risks for the Group. If tax authorities substantiate the legitimacy of such claims the Group can be filed with additional tax claims although the management of such suppliers is fully responsible for completeness and timelessness of tax payments. Management has not recognised any provisions for such liabilities in these consolidated financial statements, since the risk estimate of cash outflow related to the settlement of these liabilities is assessed as possible but not high. According to the Group’s management it is impossible to determine the financial consequences of potential tax liabilities which can arise as the result of transactions held with such suppliers due to diversity of approaches to assess the degree of violation of the tax legislation, but they can be significant.

(d) Warranties for work performed

According to the Russian legislation, the Group is responsible for the quality of construction works performed subsequent to the date when the property is sold, which, in accordance with applicable law, is a period of up to three years from the date of the sale. Based on prior experience with warranty claims, which have not been significant, no contingent liabilities have been recognised in these consolidated financial statements in relation to warranties for work performed.

33 Significant subsidiaries

As at 31 December 2019, the Group controlled 312 legal entities (31 December 2018: 202). Their assets, liabilities, revenues and expenses are included in these consolidated financial statements.

The most significant subsidiaries are listed below:

		Effective ownership		Voting rights	
	Country of incorporation	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
JSC "Pervaya Ipotechnaya Kompanya-Region" ("PIK-Region")	Russia	100%	100%	100%	100%
JSC "PIK-Industry"	Russia	99%	99%	99%	99%
LLC "GP-MFS"	Russia	100%	100%	100%	100%
LLC "Tyrone"	Russia	100%	100%	100%	100%
LLC "Lotan"	Russia	100%	100%	100%	100%
CJSC " Spetsialyzirovany Zastroyschik Mone	Russia	100%	100%	100%	100%
LLC "Zagorodnaya usadba"	Russia	100%	100%	100%	100%
LLC "RegionInvest"	Russia	100%	100%	100%	100%
LLC "GP-MSK"	Russia	100%	100%	100%	100%
LLC "PIK-Comfort" (note 8(a))	Russia	100%	-	100%	-

34 Related party transactions

(a) Parent and ultimate controlling party

As at 31 December 2019 and 31 December 2018 there were no immediate or ultimate parent companies.

As at 31 December 2019, the Company is ultimately controlled by Mr. Sergey E. Gordeev, who owns 59.16% of the Group's ordinary shares (31 December 2018: 74.81%).

(b) Key management personnel remuneration

Key management remuneration accrued during the year is represented in following table:

mln RUB	**2019**	**2018**
Salary and bonuses	1 952	1 524
Insurance premium	325	248
Total	**2 277**	**1 772**

(c) Transactions with related parties

Related parties' balances

mln RUB	31 December 2019	31 December 2018
Advances issued	933	99
Loans issued	12	-
Accounts receivable	9	339
Advances received	(3)	(14)
Accounts payable	(13)	(372)
Total	**938**	**52**

(d) Transactions with other related parties

During 2019 executive directors of the Company purchased residential apartments in uncompleted buildings for the total amount of RUB 18 million and apartments in completed buildings of RUB 35 million from the Group (in 2018: RUB 4 million in buildings under construction).

35 Transactions with the Government

(a) Control relationship

In July 2019 one of the largest Russian banks ("the Bank"), controlled by the government, acquired Group's ordinary shares increasing its share up to 23.05% of Group's share capital. At the same time, the Bank did not participate in the decision-making process by having representatives in the Board of Directors of the Company. Significant transactions with the Bank are provided below.

Balances with the Bank

mln RUB	31 December 2019
Financial instruments measured at fair value through profit or loss	10 377
Advances issued	767
Receivables	25
Loans and borrowings	(60 557)
Interest payable	(967)
	(50 355)

Transactions with the Bank

mln RUB	2019
Acquisition of land plots	3 330
Revaluation of cash-settled financial instruments	3 138
Interest income	322
Interest expense	(1 285)
Commercial expenses	(361)
Other finance costs	(12)
Total	**5 132**

The key terms for financial instruments are disclosed in notes 25 and 27.

(b) Transactions with the State

In addition, the Group conducts transactions with a number of entities under control or joint control of the Russian Federation. The Group applies an exemption provided by IAS 24 "Related Party Disclosures", which allows the disclosure of transactions with entities related to the Government in a simplified manner.

The Group conducts operations with enterprises related to Government, which are part of ordinary activities and are carried out on conditions comparable to the terms of activities with enterprises not related to Government. Such operations include, but are not limited to, providing the construction, general constructor's and technical customer services, the lease of land for development projects, purchasing the construction services, and contributions to the fund of the protection of the rights of citizens participating in shared construction. Those transactions that exceeded RUB 1 000 million in 2019, according to management estimates, amounted to at least 55.77% of the revenues from sale of construction services and about 5.3% of the costs of sales in the second half of 2019. As at 31 December 2019, outstanding balances with government-related enterprises do not exceed RUB 2 261 million of assets and RUB 12 405 million of liabilities of the Group.

36 Subsequent events

In the first quarter of 2020, there were significant shocks on the world markets caused by the outbreak of coronavirus and a sharp decline in oil prices affected stock indices, a drop in the prices of most stocks exchange and financial instruments, as well as decline in value of Ruble against other currencies. These events increase the uncertainty in operating activities in the Russian Federation and affect the accuracy of the assumptions made in many of the estimates used in these consolidated financial statements. The Group is in the process of assessing the impact of the described circumstances on the consolidated financial statements.

37 Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group (note 8).

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interest in subsidiaries registered in the form of limited liability companies, whose charters provide for the option for one participant to withdraw at their request and for payment of the value of its interest, is recognised in other payables. When the net assets of subsidiaries in the form of limited liability companies are negative, no non-controlling interest is recognised.

(iii) Subsidiaries

Subsidiaries are companies controlled by the Group. The Group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those companies in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another company. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

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

(b) Revenue

(i) Revenue from sale of real estate objects

Revenue from the sale of real estate property is measured at the consideration received or receivable, net of allowances and trade discounts, if any, and includes significant financing component that reflects the price that a customer would have paid for real estate objects if the customer had paid cash when (or as) performance obligations is satisfied. Non-cash consideration is measured at the fair value of transferred goods or services.

The revenue is recognised at a point in time or over time when the control is being transferred to the customer.

The transfer of control or the time of performance obligation satisfaction depends on individual terms of a contract with a customer. The major part of the Group's revenue is represented by share participation agreements.

In cases when the sale of real estate is performed in accordance with requirements of the Federal Law No.214-FZ, according to which the developer is entitled to the full amount of consideration under the contract if the construction of an object is completed without violation of terms of the share participation agreement, and the customer has no right to waive the contract obligations unilaterally on the pre-trial basis, the revenue is recognised "over time" according to the stage of completion.

The Group uses the input method to measure the progress towards satisfaction of the performance obligation, based on the ratio of costs actually incurred to total planned costs.

The stage of completion of the contract is measured monthly as the proportion of actual costs to budgeted costs. Herewith, the costs to acquire or rent land plots and the construction of social and cultural infrastructure are excluded from actual and budgeted costs and are recognised in the cost of sales for the period when control for real estate properties passed to the buyers.

The Group measures a significant financing component at the date of agreement registration using incremental borrowing rate for the Group as a discount rate and taking into account the term of construction. For payments in installments, the Group uses the borrowing rate available to individuals for purchase of real estate. A significant financing component is included in the total transaction price and is recognised for in revenue for the period according to the stage of completion.

The approach for determining revenue from sales contracts is similar to the approach defined for shared-participation agreements.

The transaction price in sales to customers using the escrow accounts is determined taking into the account the economy from decrease in interest base rates on project financing depending on cash places by customers on escrow accounts. Any change in initial estimate of such savings is recognized at the time when such change takes place.

(ii) Revenue from construction services and designing

Income and expenses from construction contracts are recognised in profit or loss and other comprehensive income over time using the input method for measuring the stage of completion.

Costs related to contracts are recognised as soon as they are incurred. Anticipated loss from the contract is immediately accounted for in the consolidated statement of profit and loss and other comprehensive income.

The revenue of subsidiaries from construction services to a third-party technical supervisor who renders services of technical supervision to other entities of the Group are classified as intragroup sales and eliminated by reducing the total amount of revenue and the corresponding amount of cost of sales.

(iii) Revenue from maintenance services

Such revenues mainly include provision of maintenance and management services for residential buildings and heating, water and energy supply, which are recognised in the statement of profit or loss and other comprehensive income over time. Contract costs are recognised as incurred.

(iv) Other revenue

Other revenue generally consists of revenue from the sale of construction materials and is recognised in profit or loss as exercised.

(c) Other expenses

(i) Social expenditure

The Group contributes to social programs and charity, and recognizes the respective costs in the profit or loss as incurred.

(d) Finance income and costs

Finance income comprises interest income on funds invested, gains on disposal of financial assets, foreign exchange gains, unwinding of discount, accounted for on initial recognition of financial instrument, and significant financing component for installment payments from customers. Interest income is recognised using the effective interest method.

Finance costs comprise interest expense on borrowings, lease liabilities, losses on disposal of financial assets, unwinding of discount, accounted for on the initial application, significant financing component for advances obtained from customers, and impairment losses recognised on financial assets.

Such categories as foreign exchange differences and significant financing component are presented in net amounts.

Interest expenses directly attributable to the cost of land plots, the construction of social infrastructure, or other qualifying assets, which require considerable time to be prepared for planned use or sale, are included in the cost of such assets until they will be recognised as cost of sales.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign exchange gain or loss is are recognised as net financial income or financial expense, depending on whether they reflect the net profit or net loss.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated 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 denominated in functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost denominated 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 translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

(f) Employee benefits

(i) Contributions to state pension fund

A defined contribution plan is a post-employment benefit plan under which a company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay any additional amounts. Obligations for contributions to defined contribution pension plans, including Russia's State Pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan, which are due more than 12 months after the end of the reporting period in which the employees render services under labor agreements, are discounted to their present value.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided in accordance with labor agreements. A liability is recognised in the amount expected to be paid under short-term cash bonus or 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 this liability can be estimated reliably.

(g) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Provision for costs to complete

According to the development projects' terms, the Group commits to construct social and cultural infrastructure which will be transferred to authorities and governing bodies. During the construction, the Group includes in its cost of construction all expenditures for such objects even if they are not incurred and recognises a provision for the cost to complete. The estimated future costs are apportioned to properties being built and sold proportionally to the square meters and are recognised with reference to the stage of completion of each property. In the event of costs being related to acquisition of a new project, the provision is created in full amount.

(ii) Tax provisions

The Group provides for tax exposures, including interest and penalties, when the tax becomes payable according to the effective laws and regulations. Such provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax authorities. Upon expiry of the review period the provisions are released. Tax provisions are recognised as part of income tax expense or cost of sales.

(iii) Legal costs

A provision is recognised if it is probable that the Group will lose the litigation in which the Group is the respondent and the need arises to settle the obligation.

(iv) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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 its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant 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.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. 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 based on the cost of an asset less its estimated residual value.

Depreciation is generally 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.

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

- buildings 20-60 years;
- plant and equipment 5-25 years;
- fixtures and fittings 5-10 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(i) Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) Customer base

Customer bases are recognised as a result of business combinations and are carried at fair value at the acquisition date. In cases where the term cannot be determined, intangible assets are not depreciated. The customer base is tested for impairment at each reporting date.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(v) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are 3 to 10 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in construction or for administrative purposes.

Investment property comprises land plots with undetermined future use.

Investment property is initially measured at cost and subsequently measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified to property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The Group reclassifies land plots from investment property to inventories when such land plots are included in the two-year operational construction plan.

(k) Financial instruments

(i) Recognition and initial measurement

Trade accounts receivable and issued debt securities are recognised at the moment of origin. All other financial assets and liabilities initially recognised when the Group becomes a party to the contractual provision of the mentioned instruments.

Financial assets (unless they are trade receivables without a significant financing component) or financial liabilities are initially recognised at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. Trade receivables which do not contain significant financing component are initially measured at transaction price.

(ii) Non-derivative financial assets – classification and measurement

Financial assets are reclassified subsequently to initial recognition only when the Group changes its business model for managing financial assets. In this case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Financial assets are measured at amortised costs only if the assets meet both of the following conditions and are not designated as at FVTPL:

- asset is held within a business model whose objective is to hold assets to collect contractual cash flow; 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.

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

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to the 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 realizing 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 effects the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- management compensation (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- 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 that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Subsequent measurement of financial assets can be performed by following accounting methods:

- ***Financial assets at fair value through profit and loss*** are measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss for the period.
- ***Financial assets at amortised cost*** are 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.
- ***Debt investments at fair value through other comprehensive income*** are measured at fair value. Interest income calculated using effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- ***Equity investments at fair value through other comprehensive income*** are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Non-derivative financial liabilities

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.

Cash from from contracts with customers placed accrued on escrow accounts are not recognised in the Group's accounting until the time when conditions are satisfied for cash to be transferred to the Group. Project financing obtained by the Group on reduced rate due to escrow accounts are measured at fair value on initial recognition.

(iv) Derecognition – financial liabilities

The Group derecognised financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes 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.

The Group derecognised financial liability when its terms are modified so that cash flows on the modified liability change significantly. In this case new financial liability with modified terms is recognised at fair value. The difference between carrying value of the previous financial liability and fair value of new financial liability with modified terms is recognised in profit or loss.

If a modification of terms (or replacement of a financial liability) does not lead to derecognition of a financial liability, the Group uses accounting policy and adjusts gross carrying amount of a financial asset in cases when a modification of terms does not lead to derecognition of a financial asset, that means the Group recognizes any adjustment of amortised cost of a financial liability arised due to such modification (or replacement of a financial liability) in profit or loss at the date of modification of terms (or replacement of a financial liability).

Changes in contractual cash flows of a financial liability are not considered as a modification of terms if they result from current terms of a contract, for example, change of interest rates due to change of a key rate of CBRF if a respective borrowing contract allows banks to change interest rates and the Group has the right of anticipated repayment on nominal value without any substantial penalties. Changes of interest rates to market value due to changes in market conditions are accounted by the Group similarly to financial instruments with floating rate, that means the interest rate is reviewed perspectively.

(v) Derecognition – financial assets

The Group derecognised a financial asset when the contractual rights to cash flows from the financial asset expire, or it transfer the rights to receive the contractual cash flows in a transaction in which substantially all of 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 does not retain control of the financial asset.

(vi) 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 release the asset and settle the liability simultaneously.

(vii) Financial guarantee agreements

The financial guarantee contracts entered into to guarantee the indebtedness of third and related parties are accounted for in accordance with IFRS 4 "Insurance contracts".

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(m) Right-of-use assets and lease liabilities

The contract portfolio of the Group consists mostly of leases of land plots for construction of residential property for sale, buildings, equipment, vehicles.

The Group applies the following principles in accounting for land lease agreements:

- agreements where lease payments are assumed to grow annually according to base rates and rates and/or depend on the cadastral value, so they could be changed on a unilateral basis by the lessor, are considered as unpredictable and variable and recognised when incurred;
- payments for change of authorised type of usage under the lease agreement are accounted for as lease payments and are included in the calculation of lease assets and liabilities;
- in cases, when there is a reasonable assurance that the Group will exercise the option to purchase the land, provided in the lease agreement, the redemption amount is included in the lease payment schedule. At the same time, many agreements contain the obligation to buy the land plot, but the Group can default it without a significant impact on its financial results and without incurring material expenses. Under such agreements the Group considers that a reasonable assurance arises only if the decision to construct the residential property on the land plot has been made;
- the lease term which used in the calculations equals the period when the agreement could not be canceled unilaterally.
- the Group also takes into account the right to extend or early terminate the lease which can be used by the Group under reasonable assurance. Herewith the term of construction of residential property on relevant leased land plots and investment strategy of the Group are taken into account.

The lease liability is accounted for as the present value of future lease payments. Lease payments are discounted using the incremental borrowing rate of the Group. The land plots in the form of right-of-use assets where the construction is underway are included in the cost of construction, depending on the percentage of completion of each building. Amortisation of other lease assets is carried out on a straight-line basis over the useful life of the asset and is recognised in administrative expenses when the asset is used for administrative purposes, and as part of the cost when it is used for production purposes. Amortisation of right-of-use assets on those land plots where active construction has not yet begun, is included in other expenses, and right-of-use assets for office premises are included in administrative expenses.

(n) Inventories

Inventories include construction in progress when the Group acts in the capacity of a developer and the real estate is intended for sale, as well as prepayments made to invest in the construction of properties for sale, raw materials, other work in progress and finished goods.

Inventories are stated 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 based on direct costs of each building, general construction costs, land acquisition costs, rights-of-use assets and costs to construct infrastructure and social facilites, etc., allocated to individual apartments on a pro-rata basis relative to their size. The costs of real estate property comprise costs of construction and other expenditure directly attributable to a particular development project.

When performing construction of the residential real estate, the Group may assume additional obligations, including:

- delivery of certain properties to the local authorities upon completion of the construction, e.g., schools, kindergartens, etc, free of consideration receivable;

- construction of certain infrastructure facilities, e.g., electricity, sewage systems, roads;
- construction of certain objects for public use, where the expected compensation from the buyers will not completely reimburse the Group's the costs incurred, e.g., certain parking spaces;
- entering into agreements with local authorities to complete construction of certain residential properties where apartments were pre-sold by a predecessor developer to the general public, however, the construction was subsequently stopped due to insolvency of such predecessor developer or other similar reasons.

If the fulfillment of the terms of such obligations is directly related to the construction of the residential real estate by the Group, such costs are included in the total costs of construction of properties that these obligations relate to.

The total cost of construction includes direct and indirect construction and installation expenses, acquisition of land plots/rights-of-use assets, site improvements, construction costs of social and cultural infrastructure and interest expenses related to qualified assets. At the same time, only those costs of construction that are transferred to customers or in their common ownership after the completion of a project are included in calculation of construction completion. A qualified asset for interest capitalization purposes is the actual cost of land plots, right-of-use assets, social and infrastructure facilities from the date of their active development until obtaining a permission for beginning of their operation.

General, indirect and similar costs directly related to the development project are allocated between constructed properties proportionally to square meters, being sold.

The cost of inventories except for construction in progress, intended for sale, and resources invested in construction of property, intended for sale, is calculated using weighted average costs and includes purchase costs, production and processing expenditures, and other expenses on the transportation to the current location and bringing to the current condition. The cost of manufactured inventories and work in progress includes the proportion of overheads based on standard production capacity.

The Group's normal operating cycle for a construction project may exceed twelve months. Inventories are classified as current assets even when they are not expected to be sold within twelve months after the reporting date.

(o) Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for expected credit losses (ECL) on:

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for debt securities and bank account balances, which are measured at 12-month ECLs if it has been determined that as at the reporting date they have low credit risk, or credit risk (i.e., the risk of a default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group allocates investments and significant receivables, measured at amortised cost, contract assets to credit risk exposure categories using data projecting the risk of losses including, but not limited to, external ratings, financial statements, available public information, credit history and collateral. The Group calculates the expected credit losses based on a developed schedule where each category relates to risk magnitude and losses probability scales published by international and Russian rating agencies.

Expected credit losses on receivables of services rendered by the "Maintenance" segment are calculated based on the payment delay period and the actual credit losses over the past two years.

Generally, an impairment allowance on accounts receivable is subsequently may be utilised against losses except for cases when the Group is definite in non-repayment and recognizes the loss directly as a reduction of a financial asset.

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

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

A default on financial assets relating to maintenance and utility services contracts occurs when the following conditions are met:

- the asset was recognised more than twelve months before the reporting date;
- no payments from customers are received for twelve months before the reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

Measurement of ECLs

ECLs are 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).

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

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:

- the significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due; for financial assets relating to maintenance and utility services contracts more than 365 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- the borrower will probably enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

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

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

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 portioned thereof. For corporate customers, the Group individually assesses concerning the timing and amount of write-off based on weather there is a reasonable expectation of recovery. 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.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each reporting date.

For impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) 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 year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the 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 and 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 jointly controlled companies 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.

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 used. 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.

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 company, or on different tax companies, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax measurement is affected by the tax consequences of the method the Group intends to recover the carrying amount of assets and or to settle liabilities at the end of the reporting period.

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.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(q) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group`s other components. Operating results of the segments are reviewed regularly by the Group’s CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

38 New Standards

Two new standards become effective for annual periods beginning after 1 January 2019 with earlier adoption permitted. However, the Group did not make an early transition to new and amended standards in preparing these consolidated financial statements.

The following amendments to Standards and interpretations are not expected to have a material impact on the Group’s consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of “business” (amendments to IFRS 3 “Business combinations”)
- Determination of materiality (amendments to IAS 1 “Presentation of financial statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”)
- IFRS 17 “Insurance Contracts” Accounting Policies, Changes in Accounting Estimates and Errors
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures).

39 Non-IFRS measures

Net debt

mln RUB	Note	31 December 2019	31 December 2018
Loans and borrowings, excluding project financing	27	64 350	59 160
Project financing	27	75 197	3 086
Less: Cash and cash equivalents	23	(66 208)	(58 601)
Net debt		**73 339**	**3 645**

Net debt, less cash placed on escrow account

mln RUB	Note	31 December 2019	31 December 2018
Loans and borrowings, excluding project financing	27	64 350	59 160
Project financing	27	75 197	3 086
Less: Cash and cash equivalents	23	(66 208)	(58 601)
Less: Escrow accounts balances	23	(16 061)	(1 145)
Net debt		**57 278**	**2 500**

Development capital expenditures except for cash paid for the acquisition of land plots/right-of-use assets

mln RUB	Note	2019	2018 (restated)
Change in:			
Construction in progress, intended for sale	19	53 186	1 782
Finished goods and goods for resale	19	(482)	4 338
Right-of-use assets	19, 22	1 912	(1 489)
Advances to suppliers and contractors	21	4 672	(813)
Advances issued for land plots acquisition	21	2 534	(4 908)
Accounts payable related to development contracts and other trade payables	30	5 123	(4 318)
Accounts payable for acquisition of land plots/lease rights	22, 30	(3 157)	67
Provisions for cost to complete and provision for onerous contract	29	(3 385)	1 860
Exclusion of the impact of capitalization of interest expenses on construction in progress	5	(4 624)	(7 051)
Reclassification of investment property	18	(11 412)	(5 407)
Transfer from inventories to property, plant and equipment	16	3 937	3
		48 304	**(15 936)**
Cost of sales of real estate objects		167 846	185 214
Exclusion of the impact of capitalization of interest expenses on construction cost	5	(5 462)	(872)
Acquisition of land plots for development, including purchase of subsidiaries	19	(37 390)	(21 490)
Payment of accounts payable for the acquisition of land plots/right-of-use asset		4 645	2 474
Advances issued for purchase of land plots/right-of-use asset		(6 044)	(1 562)
Development capital expenditure except for cash paid for the acquisition of land plots/lease rights		**171 899**	**147 828**

Proceeds from sales of real estate

mln RUB	Note	2019	2018 (restated)
Revenue from sales of real estate objects	10	233 318	235 791
Proceeds from sales of real estate with the use of escrow accounts	23	14 916	1 145
Less: Significant financing component recognised in revenue	10	(7 170)	(10 069)
Change in accounts receivable including contract assets	10	(8 236)	588
Change in advances received from customers	10	(6 767)	(3 436)
Cash collections from sales of real estate objects		**226 061**	**224 019**

Earnings before interest, taxes, depreciation and amortisation (EBITDA)

mln RUB	Note	2019	2018 (restated)
Profit and total comprehensive income for the period		45 113	26 893
Plus: Depreciation of property, plant and equipment and amortisation of intangible assets	16, 17	3 024	2 237
Plus: Interest expense	11	2 837	2 901
Plus: Significant financing component on contracts with customers		5 166	3 910
Less: Interest income	11	(3 223)	(2 749)
Plus: Income tax expense	15	14 125	8 739
EBITDA		**67 042**	**41 931**

Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)

mln RUB	Note	2019	2018 (restated)
EBITDA		**67 042**	**41 931**
Less: Significant financing component recognised in revenue	10	(7 170)	(10 069)
Impairment (gain)/loss on non-financial assets, net	24	(91)	180
Profit from reversal of impairment included in cost of sales, net	19	(324)	(1 198)
Change in fair value of investment property	18	20	70
Income from profitable acquisition of subsidiaries	12	(4 719)	(1 298)
Impairment loss on financial assets	11	408	668
Reversal of write-off of accounts payable	11	(525)	(114)
Foreign exchange gain, net	11	(31)	(264)
Loss on disposal of property, plant and equipment	12	18	200
(Gain)/Loss from disposal of development rights and subsidiaries	9	(668)	30
Penalties and fines, including provisions for legal disputes, net	12	1 858	1 787
Write-off of other materials	12	194	79
Other finance income	11	(778)	(179)
Exclusion of revaluation of cash-settled financial instruments	11	(3 138)	(3 183)
Interest expense written off against cost of sales	11	5 762	3 127
Adjusted EBITDA		**57 858**	**31 767**

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Supplementary information not required by IFRS

Adjusted EBITDA excluding cost of land plots

mln RUB	**2019**	**2018**
Adjusted EBITDA	57 858	31 767
Cost of land plots included in the cost of sales	8 413	8 875
Cost of acquisition of projects recorded at fair value included in the cost of sales	8 515	12 231
Adjusted EBITDA excluding cost of land	**74 786**	**52 873**

Net cash from operating activities before acquisition and sale of land plots/right-of-use assets and prepayments for land plots right-of-use assets

mln RUB	**2019**	**2018**
Net cash from operating activities before changes in inventories, trade and other receivables and paybles and provision for cost to complete	**52 584**	**33 023**
Changes in:		
Inventories before acqusitions and sale of land plots/right-of-use assets	(5 910)	23 357
Trade and other receivables, including contract assets and excluding prepayments for land plots/right-of-use assets	(23 377)	5 693
Trade and other payables, including contract liabilities and changes in the provision for taxes, except for income tax	(7 228)	5 202
Provisions	(3 670)	1 952
Cash flows from operations before income taxes and interest paid and before acqusitions and sale of land plots/right-of-use assets and prepayments for land plots/right-of-use assets	**12 399**	**69 227**
Income taxes paid	(8 390)	(5 446)
Interest paid	(8 070)	(8 861)
Net cash flows from operations before acquisitions and sale of land plots/right-of-use assets and prepayments for land plots/right-of-use assets	**(4 061)**	**54 920**
Acquisition of land plots/right-of-use assets for the future development, including acquisition of subsidiaries	(37 390)	(21 490)
Income from sales of land plots/right-of-use assets	283	(1 380)
Accounts payable for acquisition of land plots/right-of-use assets	4 645	2 474
Prepayments for land plots/right-of-use assets	(6 044)	(1 562)
Net cash (used in)/from operating activities	**(42 567)**	**32 962**

Идентификатор документа 323f9d63-cbab-4aa8-8797-b3665e4af6e5

Документ подписан и передан через оператора ЭДО АО «ПФ «СКБ Контур»

	Владелец сертификата: организация, сотрудник	Серийный номер сертификата	Дата и время подписания
Подписи отправителя:	ПАО "ГРУППА КОМПАНИЙ ПИК" Смаковская Елена Сергеевна, Вице-президент по экономике и финансам - финансовый директор	015BE47D0092AA31A349927F23332A26FE	23.06.2020 17:18 GMT+03:00 Подпись соответствует файлу документа
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