Independent auditor's report
on the consolidated financial statements of
INTECO Joint Stock Company
and its subsidiaries
for the year ended 31 December 2021

April 2022

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Independent auditor's report

To the Sole shareholder and Board of Directors of
INTECO Joint Stock Company

Opinion

We have audited the consolidated financial statements of INTECO Joint Stock Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Совершенствуя бизнес,
улучшаем мир

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

I.V. Moskalenko,
acting on behalf of TSATR – Audit Services Limited Liability Company
on the basis of power of attorney dated 18 April 2022,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 21906099674)

29 April 2022

Details of the auditor

Name: TSATR – Audit Services Limited Liability Company
Record made in the State Register of Legal Entities on 5 December 2002; State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya nab., 77, bld. 1.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the audited entity

Name: INTECO Joint Stock Company
Record made in the State Register of Legal Entities on 13 September 2002; State Registration Number 1027739188047.
Address: Russia 107078, Moscow, ul. Sadovaya-Spasskaya, 28.

Consolidated statement of financial position

RUB million	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Investment property	15	345	366
Property, plant and equipment	14	2,712	2,066
Land plots for construction	16	35,591	1,307
Loans issued	18	–	3,755
Accounts receivable	19	–	1,656
Investments in associates	6b	748	–
Deferred tax assets	13	1,384	1,877
Other non-financial assets	21	98	78
Total non-current assets		**40,878**	**11,105**
Current assets			
Real estate for sale and under construction	17	24,591	31,140
Assets under contracts with customers	7b	24,600	7,923
Accounts receivable	19	798	535
Taxes recoverable		1,111	1,575
Loans issued	18	9	640
Cash and cash equivalents	20	8,795	3,865
Other non-financial assets	21	584	1,633
Total current assets		**60,488**	**47,311**
Total assets		**101,366**	**58,416**

The consolidated statement of financial position is to be read in conjunction with the Notes on pages 11-64 which form an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)

RUB million	Note	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Long-term liabilities			
Loans and borrowings	23	49,650	28,556
Accounts payable	25	373	627
Deferred tax liabilities	13	3,840	2,948
Total long-term liabilities		**53,863**	**32,131**
Short-term liabilities			
Loans and borrowings	23	22,760	2,023
Liabilities under contracts with customers	7b	3,320	19,744
Accounts payable	25	5,152	4,066
Taxes payable		61	255
Provisions	24	2,590	113
Total short-term liabilities		**33,883**	**26,201**
Total liabilities		**87,746**	**58,332**
Equity			
Share capital	22	1,501	1,501
Accumulated loss		(10,618)	(25,050)
Additional capital		22,722	23,633
Total equity attributable to		**13,605**	**84**
Non-controlling interests		15	–
Total equity		**13,620**	**84**
Total equity and liabilities		**101,366**	**58,416**

These consolidated financial statements were approved by management of the Group on 29 April 2022 and signed by:

T.A. Makarova,
Financial Director

The consolidated statement of financial position is to be read in conjunction with the Notes on pages 11-64 which form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

RUB million	Note	2021	2020
Continuing operations			
Revenue	7	60,432	26,882
Cost		(34,564)	(15,074)
Gross profit		**25,868**	**11,808**
Gain/(loss) from changes in fair value of investment property	15	(31)	22
Selling expenses	8	(1,461)	(789)
General and administrative expenses	9	(2,254)	(2,131)
Reversal/(charge) of impairment of accounts receivable		77	35
Other income	11	194	487
Other expenses	11	(580)	(281)
Total operating profit for the year		**21,813**	**9,151**
Finance income	12	554	522
Finance expenses	12	(6,203)	(3,830)
Net finance expenses		**(5,649)**	**(3,308)**
Profit before tax		**16,164**	**5,843**
Income tax	13	(1,732)	(1,264)
Total net profit for the year from continuing operations		**14,432**	**4,579**
Discontinued operations			
Profit after tax for the period from discontinued operations	6a	–	57
Total net profit for the year		**14,432**	**4,636**
Attributable to:			
Owners of the Company		14,432	4,636
Non-controlling interests		–	–
Other comprehensive loss after income tax from continuing operations			
Expenses which may not be subsequently classified to profit or loss			
Revaluation of property, plant and equipment, net of income tax		(32)	(138)
Total comprehensive income for the year from continuing operations		**14,400**	**4,441**
Other comprehensive loss after income tax from discontinued operations			
Expenses which may not be subsequently classified to profit or loss			
Revaluation of property, plant and equipment, net of income tax		–	–
Total comprehensive income for the year		**14,400**	**4,498**
Attributable to:			
Owners of the Company		14,400	4,498
Non-controlling interests		–	–

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the Notes on pages 11-64 which form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

		Equity attributable to shareholders of the parent						
				Other reserves				
RUB million	**Notes**	**Share capital**	**Retained earnings**	**Additional capital**	**Revaluation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2020		**1,501**	**(29,686)**	**19,453**	**702**	**(8,030)**	**15**	**(8,015)**
Net profit for the year		–	4,636	–	–	**4,636**	–	**4,636**
Loss from revaluation of property, plant and equipment		–	–	–	(172)	**(172)**	–	**(172)**
Income tax on revaluation of property, plant and equipment		–	–	–	34	**34**	–	**34**
Total comprehensive income/(loss) for the year		**–**	**4,636**	**–**	**(138)**	**4,498**	**–**	**4,498**
Transactions with owners of the Group								
Recognition of discount on loans		–	–	238	–	**238**	–	**238**
Disposal of subsidiaries	6b	–	–	3,706	(328)	**3,378**	(15)	**3,363**
Total transactions with owners of the Group		**–**	**–**	**3,944**	**(328)**	**3,616**	**(15)**	**3,601**
Balance at 31 December 2020		**1,501**	**(25,050)**	**23,397**	**236**	**84**	**–**	**84**
Balance at 1 January 2021		**1,501**	**(25,050)**	**23,397**	**236**	**84**	**–**	**84**
Net profit for the year		–	14,432	–	–	**14,432**	–	**14,432**
Loss from revaluation of property, plant and equipment		–	–	–	(39)	**(39)**	–	**(39)**
Income tax on revaluation of property, plant and equipment		–	–	–	7	**7**	–	**7**
Total comprehensive income /(loss) for the year		**–**	**14,432**	**–**	**(32)**	**14,400**	**–**	**14,400**
Transactions with owners of the Group								
Recognition of discount on loans	23	–	–	688	–	**688**	–	**688**
Disposal of subsidiaries	6b	–	–	347	–	**347**	–	**347**
Acquisition of subsidiaries	6a	–	–	(1,914)	–	**(1,914)**	15	**(1,899)**
Total transactions with owners of the Group		**–**	**–**	**(879)**	**–**	**(879)**	**15**	**(864)**
Balance at 31 December 2021		**1,501**	**(10,618)**	**22,518**	**204**	**13,605**	**15**	**13,620**

The consolidated statement of changes in equity is to be read in conjunction with the Notes on pages 11-64 which form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

RUB million	**Note**	**2021**	**2020**
Cash flows from operating activities			
Cash from operating activities			
Proceeds from sale of real estate		27,735	13,825
Other proceeds		1,129	1,219
		28,864	**15,044**
Cash used in operating activities			
Payments to suppliers (contractors) for raw and other materials, works and services		(21,264)	(22,302)
Payments related to general employee compensation		(2,487)	(2,594)
Payments of selling expenses		(1,051)	(853)
Payments of general and administrative expenses		(908)	(711)
VAT paid to budget		(931)	(597)
Other payments		(699)	(231)
		(27,340)	**(27,288)**
Cash flows from operating activities		**1,524**	**(12,244)**
Interest paid	23	(2,249)	(990)
Income tax payments		(383)	(96)
Net cash flows used in operating activities		**(1,108)**	**(13,330)**
Cash flows from investing activities			
Loans issued		–	(2)
Investments in property, plant and equipment		(281)	(155)
Acquisition of subsidiaries less cash acquired	6a	2,041	–
Acquisition of land plots for construction	6a	(28,311)	–
Net cash inflow/(outflow) from disposal of subsidiaries	6b	703	(1,985)
Additional contributions in associates	6b	(158)	–
Payments on other investing activities		–	(3)
Cash used in investing activities		**(26,006)**	**(2,145)**
Repayment of loans issued		2	2,135
Interest received		220	91
Proceeds from other investing activities		332	277
Cash from investing activities		**554**	**2,503**
Net cash flows from investing activities		**(25,452)**	**358**
Cash flows from financing activities			
Repayment of loans and borrowings	23	(22,889)	(10,273)
Cash used in financing activities		**(22,889)**	**(10,273)**
Proceeds from loans and borrowings	23	54,379	24,170
Cash flows from financing activities		**54,379**	**24,170**
Net cash flows from financing activities		**31,490**	**13,897**
Net increase in cash and cash equivalents	20	4,930	925
Cash and cash equivalents at the beginning of the year	20	3,865	2,940
Cash and cash equivalents at the end of the year	20	**8,795**	**3,865**

The consolidated statement of cash flows is to be read in conjunction with the Notes on pages 11-64 which form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 General information

(a) Organization and operations

INTECO Joint Stock Company (hereinafter, the “Company” or “INTECO JSC”) and its subsidiaries (collectively, the “Group”) are registered in the Russian Federation as joint stock companies and limited liability companies. INTECO JSC was established in 1994.

The Company’s registered address is 107078, Moscow, ul. Sadovaya-Spasskaya, 28.

The principal activities of the Group are construction of residential premises and subdistricts, sale of property items, provision of construction services, production of construction materials, including reinforced concrete housing panels primarily for the Group’s projects. In 2021 and 2020, the Group was operating mainly in Moscow, Rostov-on-Don and St. Petersburg.

As at 31 December 2021 and 31 December 2020, 100% shares of INTECO JSC was owned by National Bank TRUST Public Joint Stock Company (109004, Moscow, Izvestkovyi per., 3), 99.999999999% shares of which were owned by the Central Bank of the Russian Federation (107016, Moscow, ul. Neglinnaya, 12).

(b) Business environment

The Group’s operations are primarily located in the Russian Federation. Accordingly, the Group’s business is affected by economy and financial markets of the Russian Federation, which display characteristics consistent with a developing market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

Starting from 2014, the United States, the European Union and other countries have introduced and gradually tightened economic sanctions against several Russian citizens and legal entities. The sanctions resulted in an increase in economic uncertainty, including higher volatility on capital markets, drop in the value of the Russian ruble, reduction in foreign and domestic direct investments, as well as significant reduction in the accessibility of debt financing. In particular, several Russian companies may experience difficulties when accessing the international stock and debt capital markets, which may result in a stronger dependence on government support.

On 11 March 2020, the World Health Organization declared that the spread of the new coronavirus infection turned into a pandemic. To curb the spread of COVID-19, many countries, including the Russian Federation introduced self-isolation regime, which lead to disruption of business activities, subsequent drop in oil prices, stock indexes, depreciation of the Russian ruble and an increase in general economic uncertainty.

The Group operates in the residential and non-residential real estate construction sector which was not significantly affected by the spread of the coronavirus infection due to, inter alia, the adoption of measures to subsidize consumer mortgage lending rates by the Russian Government. In 2021, the Group’s sales volumes remained the same. The pandemic had no material effect on the Group’s financial position, liquidity level and its access to debt financing in 2021.

These consolidated financial statements reflect management’s assessment of the impact of the Russian business environment, including the events disclosed in Note 30 Subsequent events, on the Group’s operations and financial position. The actual impact of the future business environment may differ from management’s estimates.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

These consolidated financial statements are presented in the Russian ruble (“RUB”) and all values are rounded to the nearest million, except when otherwise indicated.

Going concern

These consolidated financial statements have been prepared based on the assumption that the Group will be able to continue its business as a going concern. The consolidated financial statements do not include any adjustments relating to the realization and reclassification of recorded assets or to the amounts and reclassification of liabilities that might be necessary should the Group be unable to continue as a going concern.

Management of the Group has assessed its current strategic and operational intentions, future profitability of its operations based on the current market conditions, its cash requirements, and its ability to access financing and associated cost of such financing. When analyzing the Group's ability to continue as a going concern, management considered the following factors and applied judgments:

- As at 31 December 2021, the Group can raise additional financing under the existing credit agreements in the amount of RUB 76,720 million (see Note 23);
- As described in Note 30 *Subsequent events*, in 2022, the Group concluded agreements to raise additional credit financing for the total amount of RUB 630 million;
- In 2021, in the course of its operating activities, the Group raised cash to escrow accounts in the amount of RUB 17,584 million (see Note 20).

Management believes that the Group will have adequate liquidity to continue to fund its liabilities and operations and continue as a going concern in the foreseeable future.

3 Functional and presentation currency

The national currency of the Russian Federation is the Russian ruble (RUB) which is used as the functional currency of all subsidiaries of the Group and the presentation currency of these consolidated financial statements.

4 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements 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 could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis to determine whether they require modification. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following notes disclose information on the critical judgments made in applying accounting policies and having the most significant impact on the amounts reported in the consolidated financial statements:

- Note 7 Revenue;
- Note 13 Income tax;
- Note 14 Property, plant and equipment;
- Note 15 Investment property;
- Note 16 Land plots for construction;
- Note 17 Real estate for sale and under construction;
- Note 19 Accounts receivable;
- Note 24 Provisions;
- Note 27 Contingencies.

Information about assumptions and uncertainties in respect of estimates giving rise to the significant risk of material adjustments to the financial statements in the subsequent reporting year is included in the following notes:

- Note 14 Property, plant and equipment;
- Note 15 Investment property;
- Note 17 Real estate for sale and under construction;
- Note 24 Provisions;
- Note 27 Contingencies.

5 Fair value measurement

In many instances, the Group's accounting policies and disclosure rules require the determination of fair value for both financial and non-financial assets and liabilities. Fair values are determined for measurement and disclosure purposes based on the following methods. Where applicable, additional information about the assumptions made in determining the fair value of an asset or liability is disclosed in the notes pertaining to that asset or liability.

The Group measures financial instruments such as derivative and equity instruments at fair value through profit or loss, as well as non-financial assets such as investment property and property, plant and equipment at fair value at each reporting date. In addition, fair values of financial instruments at amortized cost are disclosed in Note 26.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level inputs that are significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are remeasured in the consolidated financial statements on a recurring basis, the Group determines the need for their transfers between levels in the hierarchy by re-assessing categorization (based on the lowest level inputs that are significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities bases on their nature, inherent characteristics and risks and the applicable level of the fair value hierarchy, as explained above.

Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination was based on market values. Market value of a property item is an estimated amount for which this item may be exchanged as at the date of measurement in the course of a normal transaction between market participants. The fair value of installations, equipment, fixtures and fittings (tools) is measured based on market approach and cost approach using quoted market prices for similar items, where available.

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

Investment property

The fair value of investment property was based on measurement performed by independent appraisers who have the respective acknowledged qualification and recent experience in appraising property. The measurement was based on income and market method while the selection of method depended on individual characteristics of a property item.

6 Acquisition and disposal of subsidiaries

(a) Acquisition of subsidiaries

Acquisition of assets and liabilities that are not a business

In February 2021, the Group acquired a 100% interest in the owner of a land plot for RUB 7,200 million paid in cash. The land plot is located at: Moscow, ul. Sergeya Makeeva, 11/9.

In August 2021, the Group acquired a 100% interest in the owners of land plots for RUB 17,762 million paid in cash. The land plots are located at: Moscow, Frunzenskaya nab., 30.

In October 2021, the Group acquired a 100% interest in the owner of a land plot for RUB 4,210 million paid in cash. The land plot is located at: Moscow, ul. Mnevniki, 1.

In March 2020, the Group acquired a 100% interest in the owner of a land plot, project documentation and permit for construction of a residential complex in the Artists' Colony in Moscow for RUB 994 million paid in cash.

The business acquisitions were recorded as acquisition of a group of assets and liabilities that are not a business.

Acquisition of entities under common control of the shareholder

In August 2021, the Group also acquired a 100% interest in entities for RUB 1,816 million paid in cash. The entities are located in the Rostov Region, are engaged in construction in this region and provide residential building management services. The entities were acquired from a company under common control of the Group's shareholder.

From the date of acquisition, the contribution of the entities under common control to the Group's revenue and profit before tax amounted to RUB 2,170 million and RUB 27 million, respectively. If the acquisition had taken place on 1 January 2021, the contribution of the entities under common control to the Group's revenue would have amounted to RUB 6,484 million and profit before tax would have decreased by RUB 533 million.

The effect of acquisition of the subsidiaries is presented in the table below.

RUB million	**Acquisition of assets and liabilities that are not a business**	**Acquisition of entities under common control of the shareholder**
Investment property	–	1,055
Property, plant and equipment	–	491
Land plots for construction	33,076	664
Deferred tax assets	171	657
Other non-financial assets	–	472
Real estate for sale and under construction	–	2,659
Assets under contracts with customers	–	4,349
Accounts receivable	90	200
Taxes recoverable	23	243
Cash and cash equivalents	661	1,600
Loans and borrowings	(4,628)	(8,902)
Deferred tax liabilities	(43)	(759)
Liabilities under contracts with customers	–	(10)
Accounts payable	(56)	(902)
Taxes payable	(22)	(174)
Provisions	(36)	–
Net assets	**29,236**	**1,643**

RUB million	Acquisition of assets and liabilities that are not a business	Acquisition of entities under common control of the shareholder
Assignment of debt before acquisition between the parent and the Group entities		
Loans payable by entities under common control of the shareholder to Group entities	–	(4,676)
Accounts receivable from entities under common control of the shareholder due to Group entities	–	(1,450)
Loans payable by Group entities to the parent	–	2,143
Accounts payable by Group entities to entities under common control of the shareholder	–	1,070
Total	**–**	**(2,913)**
Consideration paid for acquisition of an entity	(29,172)	(1,816)
Intragroup loans payable by acquirees to the Group at the date of acquisition	(64)	(281)
Intragroup accounts receivable from acquirees due to the Group at the date of acquisition	–	(789)
Assignment of debt	–	(2,913)
Cash received for assignment of debt	–	2,257
Net assets acquired	29,236	1,643
Loss from acquisition of subsidiaries	**–**	**(1,899)**

A loss from acquisition of the subsidiaries is recorded within equity.

Net cash flows resulting from acquisition of the subsidiaries are as follows:

RUB million	Acquisition of assets and liabilities that are not a business	Acquisition of entities under common control of the shareholder
Cash paid for acquisition of subsidiaries	(29,172)	(1,816)
Cash received for assignment of debt, net	–	2,257
Cash acquired with subsidiaries	661	1,600
Net cash flows from acquisition of subsidiaries	**(28,511)**	**2,041**

(b) Disposal of subsidiaries

In November 2021, the Group sold to the shareholder a 50% interest in the owners of the land plot located in Dmitrovsky area of the North Administrative District of Moscow. The transaction amounted to RUB 936 million, where RUB 821 million were paid in cash. The amount of RUB 115 million remaining as at 31 December 2021 will be paid during the next reporting period (see Note 19).

The effect of disposal of the subsidiaries is presented in the table below.

RUB million	**2021**
Investment property	1,045
Property, plant and equipment	20
Deferred tax assets	89
Other non-financial assets	6
Land plots for construction	223
Accounts receivable	34
Taxes recoverable	12
Cash and cash equivalents	118
Loans and borrowings	(153)
Accounts payable	(39)
Deferred tax liabilities	(151)
Taxes payable	(25)
Net assets	**1,179**
Fair value of remaining 50% interest in associate	590
Consideration receivable	936
Carrying amount of net assets disposed	(1,179)
Gain from disposal of subsidiaries	**347**

A gain from disposal of the subsidiaries was recorded within equity.

Net cash flows resulting from sale of the subsidiaries are as follows:

RUB million	**2021**
Cash received from disposal of subsidiaries	821
Cash sold as a part of disposed subsidiaries	(118)
Cash received at disposal of subsidiaries	**703**

The table below summarizes movements in the carrying amount of the Group's investments in associates.

RUB million	**2021**
Carrying amount at 15 November	**590**
Additional contribution in associates	158
Carrying amount at 31 December	**748**

The summarized financial information on the associates which is based on their IFRS financial statements is as follows:

RUB million	**2021**
Non-current assets	1,375
Current assets	486
Long-term liabilities	(147)
Short-term liabilities	(219)
Net assets	**1,495**
Proportional share held by the Group	50%
Group's share in net assets	748
Carrying amount of the Group's investments	**748**

Reorganization of the Group in 2020

Due to the strategic decision to focus on enhancement of its key competences in the development in Moscow geographical segment made in September 2020, the Group sold to related parties (Related parties note) its controlling shares in Patriot JSC and its subsidiaries, which own the projects of residential complex Kudrovo, residential complex Yanino, residential complex The Fifth Element, residential complex English Quarter, residential complex Leventsovskiy related to St. Petersburg and Leningrad Region segment and Rostov-on-Don segment.

The transaction amounted to RUB 626 million paid in cash in 2021. The debt was documented as a 5.5% promissory note maturing not later than 31 December 2021.

As at the date of disposal, the carrying amount of net assets was as follows:

RUB million	**2020**
Investment property	1,330
Property, plant and equipment	414
Land plots for construction	1,962
Loans issued	15
Deferred tax assets	2,026
Real estate for sale and under construction	7,248
Assets under contracts with customers	2,488
Accounts receivable	216
Taxes recoverable	443
Cash and cash equivalents	1,985
Other non-financial assets	472
Loans and borrowings	(11,310)
Deferred tax liabilities	(1,446)
Liabilities under contracts with customers	(1,670)
Accounts payable	(1,339)
Taxes payable	(239)
Provisions	(123)
Net assets	**2,472**
Consideration receivable	626
Recognition of loans payable by disposed subsidiaries to the Group at the date of disposal	3,629
Recognition of accounts receivable of disposed subsidiaries due to the Group at the date of disposal	1,580
Carrying amount of net assets disposed	(2,472)
Gain from disposal of subsidiaries, net	**3,363**
Recognised within equity	3,363

Net cash flows resulting from sale of discontinued operations were as follows:

RUB million	**2020**
Cash from disposal of discontinued operations	–
Cash sold as a part of disposed subsidiaries	(1,985)
Cash received at disposal of subsidiaries	**(1,985)**

Net cash flows from discontinued operations are as follows:

RUB million	**2020**
Operating activities	(3,052)
Financing activities	917
Investing activities	2,152
Net cash inflow	**17**

The St. Petersburg and Leningrad Region segment and the Rostov-on-Don segment were classified as discontinued operations, the results of which for 2020 are presented below:

RUB million	**2020**
Revenue	5,479
Cost	(4,145)
Gross profit	**1,334**
Selling expenses	(105)
General and administrative expenses	(349)
Other income	110
Other expenses	(187)
Operating profit	**803**
Finance income	7
Finance expenses	(519)
Net finance expenses	**(512)**
Profit before tax	**291**
Income tax expense	(234)
Total net profit from discontinued operations	**57**
Attributable to:	
Owners of the Company	57
Non-controlling interests	–

7 Revenue

(a) Breakdown of revenue according to the moment of its recognition

RUB million	**2021**	**2020**
Revenue from sale of residential real estate		
Revenue recognized at a certain point in time	5,116	951
Revenue recognized over time	49,176	22,636
Revenue from sale of parking lots		
Revenue recognized at a certain point in time	658	177
Revenue recognized over time	2,015	982
Revenue from sale of non-residential premises		
Revenue recognized at a certain point in time	295	832
Revenue recognized over time	2,360	822
Revenue from sales of other products and services		
Revenue recognized at a certain point in time	602	410
Total revenue from contracts with customers	**60,222**	**26,810**
Rental revenue	210	72
Total revenue	**60,432**	**26,882**

(b) Assets and liabilities under property sale contracts

RUB million	**31 December 2021**	**31 December 2020**
Contract assets	24,600	7,923
Contract liabilities:	3,320	19,744
- Liabilities under contracts, revenue from which is recognized at a certain point of time	1,796	5,092
- Liabilities under contracts, revenue from which is recognized over time	1,524	14,652

Contract assets include the Group's rights to receive cash under contracts with property buyers, which provide for installment payment, and construction pace exceeds the payment schedule. Contract liabilities represent advance payments received from customers under property purchase contracts and the accrued amounts related to a significant financing component.

Below is revenue recognized with respect to the following:

RUB million	**2021**	**2020**
Amounts within contract liabilities at the beginning of the year	17,030	10,563
Performance obligations satisfied in previous periods	41	18

Movements in liabilities under contracts with customers are as follows:

RUB million	**2021**	**2020**
As at 1 January	**19,744**	**27,241**
Increase in contract liabilities during the year due to:	9,560	15,295
- Advances received under contracts	9,409	13,825
- Financing component	151	1,470
Recognition in revenue from continuing operations during the year	(25,847)	(18,067)
- Opening balance of contract liabilities including financing component	(17,030)	(10,563)
- Advances received under contracts	(8,817)	(7,504)
Recognition in revenue within discontinued operations	–	(2,651)
- Opening balance of contract liabilities including financing component	–	(1,853)
- Advances received under contracts	–	(798)
Acquisition of subsidiaries (Note 6a)	10	–
Disposal of subsidiaries (Note 6a)	–	(1,670)
Other movements	(147)	(404)
As at 31 December	**3,320**	**19,744**

Almost full amount of performance obligation outstanding as at the end of the reporting period is expected to be recognized within revenue during the next three years. As at 31 December 2021, approximately RUB 2,033 million of this amount will be recognized in revenue within the next 12 months.

Changes in assets under contracts with customers are as follows:

RUB million	**2021**	**2020**
As at 1 January	**7,923**	**763**
Increase in contract assets during the year due to:		
- Recognition of revenue from continuing operations	30,549	8,740
- Recognition of revenue from discontinued operations	–	1,978
Decrease in contract assets when escrow accounts are opened	(18,221)	–
Additional price component	–	(1,070)
Acquisition of subsidiaries (Note 6a)	4,349	–
Disposal of subsidiaries (Note 6a)	–	(2,488)
As at 31 December	**24,600**	**7,923**

8 Selling expenses

RUB million	**2021**	**2020**
Advertising and marketing	570	409
Personnel expenses	539	156
Agency fees	209	90
Insurance	70	85
Depreciation and amortization	27	19
Expenses on short-terms leases and leases of low-value assets	11	13
Taxes	2	–
Other selling expenses	33	17
	1,461	**789**

9 General and administrative expenses

RUB million	2021	2020
Personnel expenses	1,432	1,625
Taxes	112	113
Maintenance of leased premises	223	112
Advisory and other services	219	109
Depreciation and amortization	73	49
Utility expenses	73	48
Work safety and security	16	9
Expenses on short-terms leases and leases of low-value assets	10	9
Other administrative expenses	96	57
	2,254	**2,131**

10 Personnel expenses

RUB million	2021	2020
Salary		
Cost of construction	516	–
Other cost	99	109
Administrative expenses	1,155	1,362
Selling expenses	420	128
	2,190	**1,599**
Social payments and contributions		
Cost of construction	31	–
Other cost	49	25
Administrative expenses	277	263
Selling expenses	119	28
	476	**316**
Total	**2,666**	**1,915**

11 Other income and expenses

RUB million	2021	2020
Fines, penalties and forfeits payable, including provision for litigations	(255)	205
Write-off of non-project expenses	(115)	–
Charity	(93)	(34)
Result from sales and write-off of property, plant and equipment and other assets	(54)	59
Taxes and levies	(30)	(42)
Revaluation of property, plant and equipment	156	24
Write-off of accounts payable	29	65
Movements in allowance for materials, net	9	(9)
Write-off of accounts receivable	–	(121)
Other expenses	(33)	(75)
Other income	–	134
Other (expenses)/income, net	**(386)**	**206**

12 Finance income and expenses

RUB million	2021	2020
Government grant	–	316
Interest income	249	83
Unwinding of discount on loans issued	305	123
Finance income	**554**	**522**
Interest expense	(5,455)	(2,433)
Expenses to return grants	(316)	–
Bank services	(282)	(80)
Expenses on significant financing component on contracts with customers	(150)	(1,240)
Effect from initial recognition of loans issued and accounts receivable at fair value	–	(72)
Other finance expenses	–	(5)
Finance expenses	**(6,203)**	**(3,830)**
Finance expenses, net	**(5,649)**	**(3,308)**

13 Income tax

(a) Amounts recognized in profit or loss

The Group calculated income tax based on the Russian corporate income tax rate, which is 20% (2020: 20%).

Income tax expense is as follows:

RUB million	2021	2020
Current income tax expense		
Current income tax	**(252)**	**(100)**
Deferred income tax expense		
Origination and reversal of temporary differences	(1,480)	(1,164)
	(1,480)	**(1,164)**
Total income tax expense	**(1,732)**	**(1,264)**

(b) Reconciliation of effective income tax rate

RUB million	2021	2020
Profit before tax	16,164	5,843
Income tax expense calculated at the applicable tax rate	(3,233)	(1,169)
Change in unrecognized deferred tax assets	1,332	(202)
Adjustments for non-taxable income and expenses under national taxation system	169	107
	(1,732)	**(1,264)**

(c) Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
RUB million	**31 December 2021**	**1 January 2021**	**31 December 2021**	**1 January 2021**	**31 December 2021**	**1 January 2021**
Property, plant and equipment	258	1	(380)	(195)	(122)	(194)
Investment property	3	–	(67)	(63)	(64)	(63)
Investments	–	–	(10)	(10)	(10)	(10)
Real estate for sale and under construction, land plots for construction	10,725	6,225	(311)	–	10,414	6,225
Accounts receivable and contract assets	266	1,072	(3,003)	(1,261)	(2,737)	(189)
Loans and borrowings	53	27	(260)	–	(207)	27
Accounts payable and contract liabilities	51	1	(9,982)	(4,008)	(9,931)	(4,007)
Tax losses carried forward	3,074	1,216	(7)	(7)	3,067	1,209
Other liabilities	–	–	(1)	(34)	(1)	(34)
Other assets	15	–	(374)	(282)	(359)	(282)
Provisions	485	429	(13)	–	472	429
Unrecognized deferred tax assets	(2,978)	(4,182)	–	–	(2,978)	(4,182)
Deferred tax assets/ (liabilities)	**11,952**	**4,789**	**(14,408)**	**(5,860)**		
Netting	(10,568)	(2,912)	10,568	2,912	–	–
Deferred tax asset/ (liabilities), net	**1,384**	**1,877**	**(3,840)**	**(2,948)**	**(2,456)**	**(1,071)**

(d) Change in deferred tax balance

RUB million	**1 January 2021**	**Recognized in profit or loss**	**Recognized in other compre-hensive income**	**Changes due to disposal (Note 6)**	**Changes due to disposal (Note 6a)**	**31 December 2021**
Property, plant and equipment	(194)	(29)	7	147	(53)	(122)
Investment property	(63)	5	–	(33)	27	(64)
Investments	(10)	–	–	–	–	(10)
Real estate for sale and under construction, land plots for construction	6,225	3,441	–	–	748	10,414
Accounts receivable and contract assets	(189)	(1,687)	–	(4)	(857)	(2,737)
Loans and borrowings	27	(216)	–	–	(18)	(207)
Accounts payable and contract liabilities	(4,007)	(5,844)	–	–	(80)	(9,931)
Tax losses carried forward	1,209	1,478	–	(46)	426	3,067
Other liabilities	(34)	33	–	–	–	(1)
Other assets	(282)	(5)	–	–	(72)	(359)
Provisions	429	12	–	(2)	33	472
Unrecognized deferred tax assets	(4,182)	1,332	–	–	(128)	(2,978)
	(1,071)	**(1,480)**	**7**	**62**	**26**	**(2,456)**

RUB million	1 January 2020	Recognized in profit or loss	Recognized in disconti-nued operations	Recognized in other compre-hensive income	Changes due to disposal (Note 6b)	Disconti-nued operations	31 December 2020
Property, plant and equipment	(19)	(32)	(149)	34	(28)	–	(194)
Investment property	(50)	(4)	–	–	(9)	–	(63)
Investments	–	(10)	–	–	–	–	(10)
Real estate for sale and under construction, land plots for construction	3,395	3,574	537	–	(1,281)	–	6,225
Accounts receivable and contract assets	4,219	(3,085)	(500)	–	(823)	–	(189)
Loans and borrowings	–	27	–	–	–	–	27
Accounts payable and contract liabilities	(2,195)	(2,712)	(113)	–	1,013	–	(4,007)
Tax losses carried forward	961	624	17	–	(438)	45	1,209
Other liabilities	(24)	(10)	(2)	–	2	–	(34)
Other assets	(426)	(72)	(10)	–	229	(3)	(282)
Provisions	466	120	5	–	(162)	–	429
Unrecognized deferred tax assets	(5,515)	416	–	–	917	–	(4,182)
	812	**(1,164)**	**(215)**	**34**	**(580)**	**42**	**(1,071)**

(e) Unrecognized deferred tax assets

As at 31 December 2020, deferred tax assets in the amount of RUB 4,182 million were not recognized with respect to deductible temporary differences and tax losses carried forward since it was not probable that the Group would generate future taxable profit against which tax benefits could be used. In 2021, RUB 128 million were added to this amount due to a merger of new entities, and the amount of RUB 1,332 million was reversed. As at 31 December 2021, unrecognized deferred tax assets amounted to RUB 2,978 million.

(f) Unrecognized deferred tax liabilities

As at 31 December 2021, temporary differences arising with respect to investments in subsidiaries amounted to RUB 5,479 million (31 December 2020: RUB 707 million). Deferred tax liabilities related to these temporary differences were not recognized because the Company controls the terms of reversal of the respective taxable temporary differences and it is sure that they will not be reversed in the foreseeable future.

14 Property, plant and equipment

RUB million	Land plots	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Construction in progress	Total
Gross book value						
As at 1 January 2020	**35**	**2,351**	**74**	**63**	**30**	**2,553**
Acquisitions through business combinations	–	27	–	1	–	28
Additions	–	–	–	–	197	197
Disposals	–	–	–	(12)	–	(12)
Disposal of subsidiaries (Note 6b)	(25)	(371)	(51)	(33)	–	(480)
Transfer from inventories	–	5	–	–	–	5
Reclassification between groups	(10)	20	(24)	14	–	–
Revaluation	–	(214)	(1)	(8)	–	(223)
Transfer to property, plant and equipment	–	134	11	18	(163)	–
As at 31 December 2020	**–**	**1,952**	**9**	**43**	**64**	**2,068**
As at 1 January 2021	**–**	**1,952**	**9**	**43**	**64**	**2,068**
Acquisition of subsidiaries (Note 6a)	24	466	26	28	15	559
Additions	–	154	–	–	199	353
Disposals	–	(184)	–	(5)	(3)	(192)
Disposal of subsidiaries (Note 6b)	–	(7)	(7)	(11)	(2)	(27)
Reclassification between groups	–	–	(2)	2	–	
Revaluation	(17)	(8)	(5)	(6)	–	(36)
Transfer to property, plant and equipment	8	88	5	32	(133)	–
As at 31 December 2021	**15**	**2,461**	**26**	**83**	**140**	**2,725**
Accumulated depreciation and impairment losses						
As at 1 January 2020	**–**	**(13)**	**–**	**–**	**–**	**(13)**
Depreciation charge	–	(110)	(6)	(14)	–	(130)
Disposals	–	–	–	2	–	2
Disposal of subsidiaries (Note 6b)	–	57	5	4	–	66
Revaluation	–	64	1	8	–	73
As at 31 December 2020	**–**	**(2)**	**–**	**–**	**–**	**(2)**
As at 1 January 2021	**–**	**(2)**	**–**	**–**	**–**	**(2)**
Acquisition of subsidiaries (Note 6a)	–	(52)	(7)	(9)	–	(68)
Depreciation charge	–	(84)	(5)	(20)	–	(109)
Disposal of subsidiaries (Note 6b)	–	3	–	4	–	7
Revaluation	–	118	12	29	–	159
As at 31 December 2021	**–**	**(17)**	**–**	**4**	**–**	**(13)**
Carrying amount						
As at 1 January 2020	**35**	**2,338**	**74**	**63**	**30**	**2,540**
As at 31 December 2020	**–**	**1,950**	**9**	**43**	**64**	**2,066**
As at 31 December 2021	**15**	**2,444**	**26**	**87**	**140**	**2,712**

(a) Depreciation charge

Depreciation charge for 2021 is taken to construction cost in the amount of RUB 23 million, administrative expenses in the amount of RUB 66 million, selling expenses in the amount of RUB 20 million (2020: RUB 14 million, RUB 47 million and RUB 16 million, respectively; in addition, depreciation charge for 2020 was taken to discontinued operations in the amount of RUB 53 million).

(b) Right-of-use assets

As at 31 December 2021, the net carrying amount of right-of-use assets was RUB 37 million (31 December 2020: RUB 3 million).

(c) Revaluation of property, plant and equipment

As at 31 December 2021 and 31 December 2020, the Group conducted revaluation of property, plant and equipment. The revaluation of property, plant and equipment was performed by independent appraisers. As a result of the revaluation, the revaluation provision within the Group's equity decreased by RUB 32 million (less deferred income tax for RUB 7 million) and RUB 138 million (less deferred income tax for RUB 34 million), respectively. The revaluation of property, plant and equipment resulted in an increase in net profit for 2021 by RUB 156 million (2020: RUB 24 million) (see Note 11).

Land and premises

In the course of the revaluation, fair value of land and premises was determined using the market approach. The market approach used an analysis of comparable sales' prices, which was based on an assumption that the market participant performs sales and purchase transactions using information on similar transactions. Under this approach, comparable items were selected and their fair values were adjusted based on the specific parameters of a measured item (Level 3 of the fair value hierarchy, see Note 5). The same approach was used during the revaluation as at 31 December 2020.

In the *Land and premises* group, the most significant asset (based on its carrying amount) is a five-storey office building with basements located at: Moscow, ul. Sadovaya-Spasskaya, 28.

To determine the market value of the office building, the market approach was used. The following information sources were used to analyze the market: analytical reviews of the commercial and industrial real estate market published by brokers, Internet portals that publish offers to sell commercial and industrial facilities.

Based on the analysis of the commercial real estate market, the following main adjustments made to the calculation of the market value were identified:

- The adjustment for differences between offer/transaction prices (bidding) for the office building in ul. Sadovaya-Spasskaya was calculated based on the Real Estate Appraiser's Handbook and varies from -18.8% to -14.6% (31 December 2020: the same).
- The location adjustment was determined to analyze the market value of the building located in Moscow, ul. Sadovaya-Spasskaya; the location adjustment between the target and similar assets was 9%, per the Real Estate Appraiser's Handbook (31 December 2020: -7.41%).
- The adjustment for remoteness from metro stations determined based on the Valuation and Survey Handbook was 5-10% (less than 5 minutes) (31 December 2020: 5%).
- The adjustment for total area was determined based on the *Coefficients Used to Determine the Value of Real Estate Located in the Moscow Region* reference book and varies from -9.62% to -6.99% (31 December 2020: from -8.2% to -1.34%).
- The adjustment for the number of storeys and the share of basement and semi-basement premises was determined separately for office facilities and multi-purpose non-residential premises based on four specialized reference books and varies from -8.22% to 3.13% (31 December 2020: from -7.7% to 3.9%).
- The finishing was assessed based on information on the cost of repair and finishing work of construction companies in Moscow (31 December 2020: no adjustment was applied).

Buildings, transfer devices, machinery, equipment and transport vehicles

The fair values of buildings, transfer devices, machinery, equipment and transport vehicles were determined using the cost approach (Level 3 of the fair value hierarchy, see Note 5). Under the cost approach, the initial carrying amount indexation method was used. Impairment testing for specialized assets represented by equipment to produce reinforced concrete products within KKPD JSC was limited to the analysis of the financial statements of KKPD JSC for previous periods and plans of INTECO JSC for further use of the KKPD plant. Therefore, no value in use for the assets of KKPD JSC was determined.

Management believes that the fair values of buildings, transfer devices, machinery, equipment and transport vehicles are not exposed to the risk of significant fluctuations due to changes in estimated parameters used in its determination.

15 Investment property

(a) Reconciliation of carrying amount

RUB million	2021	2020
Value at 1 January	366	1,641
Transferred from inventories	–	33
Change in fair value	(31)	22
Acquisition of subsidiaries (Note 6a)	1,055	
Disposal of subsidiaries (Note 6a)	(1,045)	(1,330)
Value at 31 December	**345**	**366**

(b) Fair value measurement

The fair value of investment property was determined by external independent real estate appraisers who have the respective acknowledged qualification and recent experience in appraising this category of real estate in this location.

The fair value of all investment properties is measured using the market approach based on an analysis of all available information on sales of similar items; in addition, adjustments are made to recognize differences between comparables and measured items. Under this approach, current offerings of property items similar to the measured items were analyzed. Selling prices were adjusted for differences in characteristics with the measured item. As at 31 December 2020, the fair value of investment property was determined similarly.

Fair value measurement of investment property was taken to Level 3 of the fair value hierarchy based on inputs used in the applied measurement methods.

Investment property comprises non-residential premises, parking spaces and industrial sites. To determine its market value, the market approach was used. The following information sources were used to analyze the market: analytical reviews of the commercial and industrial real estate market published by brokers, Internet portals that publish offers to sell commercial and industrial facilities.

When using the market approach, various elements of comparison were taken into account: transferred and proprietary rights for an item, terms of sale/selling and financing offers, location (region), item class (A/B/C), condition and level of interior finishing, property type, comparable elements of commercial property, line, availability of separate entrance, parking, floor, floor ratio, railroad availability, ratio of administrative and production premises, housing density.

16 Land plots for construction

Land plots for construction comprise plots of land owned by the Group, which the Group is planning to use for construction of property for sale in the future in the normal course of business; however, the Group has not received necessary permissions for construction as at the reporting date:

RUB million	2021	2020
As at 1 January	1,307	3,065
Additions and subsequent expenditures	767	204
Acquisition of subsidiaries (Note 6a)	33,740	–
Disposal of subsidiaries (Note 6b)	(223)	(1,962)
As at 31 December	**35,591**	**1,307**

As at the end of each reporting year, land plots for construction are tested for impairment. Impairment testing is performed for each land plot separately. Impairment testing involves comparison of their carrying amount with net realizable value.

The net realizable value of land plots is the selling price of real estate items expected in the ordinary course of business. The selling price of the real estate items that are planned to be constructed on such land plots is calculated on the basis of market prices at the reporting date, less estimated costs for completion of construction (development) of these real estate items.

If the cost of a land plot exceeds its net realizable value, an allowance for impairment of land plots for construction is accrued for the amount of such excess. The amount of such allowance is included in profit or loss in the period when it is accrued.

In each subsequent period, a new analysis of the net realizable value of the land plot is performed. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value.

As at 31 December 2021 and 31 December 2020, there was no impairment of land plots.

17 Real estate for sale and under construction

RUB million	**31 December 2021**	**31 December 2020**
Construction in progress held for sale (at cost)	17,355	23,787
Finished goods and goods for resale (at cost)	2,858	2,607
Raw materials (at cost)	447	–
Advances issued	3,931	4,746
	24,591	**31,140**

A significant part of construction in progress and finished products include apartments, non-residential premises and parking spaces. The standard operating cycle of a construction project may exceed 12 months. Inventories are included in current assets even if they are not expected to be sold within one year after the reporting date. As at 31 December 2021, inventories with the carrying amount of RUB 10,114 million under concluded contracts are expected to be sold within the next 12 months (31 December 2020: RUB 16,304 million). Since no contracts for other property items have been concluded yet, it is not possible to accurately estimate the periods when these inventories are sold.

Changes in real estate for sale and under construction for the period are presented in the table below.

RUB million	**2021**	**2020**
As at 1 January	**31,140**	**33,965**
Write-off to cost of continuing operations	(34,008)	(14,882)
Write-off to cost of discontinued operations	–	(3,527)
Additions of costs	25,747	21,502
Advances for construction works, net	(947)	1,330
Acquisition of subsidiaries (Note 6a)	2,659	–
Disposal of subsidiaries (Note 6b)	–	(7,248)
As at 31 December	**24,591**	**31,140**

Impairment testing

The Group used the transaction pricing principles and engaged an independent appraiser to determine the net realizable value of the Group's construction in progress at the reporting date.

IFRS 15 determines a transaction price as the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods and services to the customer, excluding amounts collected on behalf of third parties.

In the course of impairment testing, the compensation amount (transaction price) for each project was determined as follows:

- Market value of property items remaining for sale (unsold areas); and
- The remaining compensation amounts under concluded contracts (sold premises).

Market value of unsold property items was determined based on the comparable sales method under market approach. The remaining compensation amount under concluded contracts was assumed to be equal to:

- The carrying amount of liabilities under contracts with customers less assets under contracts with customers for projects implemented according to the standard financing scheme;
- The price under concluded contracts less assets under contracts with customers for projects implemented according to the escrow scheme.

The write-off amount was determined as a difference between compensation amount less planned costs for construction completion and sale of property items and their carrying amount. For completed projects, the remaining amount of costs is assumed to be zero. For current projects, the amount of remaining costs for each building is presented according to the budget approved by the Group.

The range of market construction costs is determined based on published project declaration on construction of residential complexes of economy, comfort and business classes for 2013-2021 considering the construction cost transfer ratio at the analysis date.

According to the results of the testing, the carrying amount of inventories as at 31 December 2021 and 31 December 2020 did not exceed their net realizable value.

	31 December 2021			**31 December 2020**		
RUB million	**Cost**	**Provision/ write-off to net realizable value**	**Carrying amount**	**Cost**	**Provision/ write-off to net realizable value**	**Carrying amount**
Inventories	24,591	–	24,591	31,140	–	31,140
Total	**24,591**	**–**	**24,591**	**31,140**	**–**	**31,140**

18 Loans issued

RUB million	**31 December 2021**	**31 December 2020**
Long-term		
Loans issued to related parties in RUB at fixed rates of 2.89%-10.5%	–	3,272
Non-interest-bearing promissory notes	–	483
	–	**3,755**
Short-term		
Loans issued to related parties in RUB at fixed rates of 13.1%-17.28%	2	2
Loans issued to third parties in RUB at fixed rates of 0.1%-9.5%	9	6
Promissory notes issued to a related party (5.5%)	–	636
Impairment allowance	(2)	(4)
	9	**640**

Due to the disposal of PATRIOT JSC and its subsidiaries in September 2020, the Group recognized receivables from the disposed companies for loans and promissory notes issued in the amount of RUB 3,272 million and RUB 483 million, respectively. In 2021, those receivables were assigned to the parent (see Note 6a).

19 Accounts receivable

RUB million	31 December 2021	31 December 2020
Long-term		
Accounts receivable for sales of land plots	–	220
Other accounts receivable	–	1,436
	–	**1,656**
Short-term		
Accounts receivable for sales of land plots	268	302
Trade accounts receivable	67	202
Accounts receivable for sale of interest in subsidiaries (Note 6b)	115	–
Accounts receivable from individuals related to residential property operation	116	–
Accounts receivable on litigations	28	146
Accounts receivable from insurance companies	70	71
Other accounts receivable	414	237
Impairment loss	(280)	(423)
	798	**535**

Impairment

RUB million	31 December 2021	31 December 2020
Trade accounts receivable	–	(41)
Accounts receivable from insurance companies	(56)	(59)
Accounts receivable on litigations	(22)	(122)
Other accounts receivable	(202)	(201)
	(280)	**(423)**

20 Cash and cash equivalents

RUB million	31 December 2021	31 December 2020
Bank deposits (interest rates of 5.5%-7%)	4,466	3,145
Balances of cash on bank accounts	4,329	720
Cash and cash equivalents	**8,795**	**3,865**

Cash and cash equivalents are denominated in Russian rubles.

As at the reporting date, cash and cash equivalents were not overdue and had no indication of default according to management (31 December 2020: the same). The probability of default was determined by management based on credit ratings considering forecast changes of these ratings assigned by a corresponding rating agency as at the reporting date.

Cash balance on escrow accounts (for reference)

RUB million	31 December 2021	31 December 2020
Escrow accounts	40,125	22,541

Cash balance on escrow accounts represents cash received by an authorized bank from the owners of the accounts (shared construction participants (purchasers of real estate)) as a payment under shared construction contracts.

21 Other non-financial assets

RUB million	31 December 2021	31 December 2020
Long-term		
Intangible assets	98	78
	98	**78**
Short-term		
Advances issued	588	1,645
Materials	24	21
Other	57	15
Impairment loss on advances issued	(85)	(48)
	584	**1,633**

As at 31 December 2020, advances issued comprised financing of purchase of new projects of the Group: residential complex Tankoviy (RUB 1,000 million) and residential complex Sergey Makeev (RUB 200 million). Residential complex Sergey Makeev was finally purchased in February 2021 for RUB 7,200 million (see Note 6a), while the transaction to purchase residential complex Tankoviy was canceled and the advance was paid back in cash in 2021.

22 Equity

Shares issued

	31 December 2021	31 December 2020
Number of shares issued, thousands	50,040	50,040
Nominal value of the share, RUB	30	30
Shares issued, RUB million	**1,501**	**1,501**

Dividends

In accordance with the effective Russian legislation, the Company’s reserves for distribution are limited to the amount of retained earnings recognized in the Company’s statutory financial statements prepared under the Russian accounting standards.

The Board of Directors did not declare dividends to be paid in 2021 and 2020.

23 Loans and borrowings

This note provides information about the contractual terms of the Group’s loans and borrowings, which are measured at amortized cost. For more information about the Group’s exposure to credit risk related to interest rate change and currency risk, see Note 26.

RUB million	31 December 2021	31 December 2020
Long-term		
Secured bank loans	23,259	13,805
Project financing	18,462	13,481
Unsecured bank loans and other loans received	7,929	1,235
Promissory notes	–	35
	49,650	**28,556**
Short-term		
Project financing	12,745	56
Secured bank loans	9,550	211
Unsecured bank loans and other loans received	430	1,756
Promissory notes	35	–
	22,760	**2,023**
	72,410	**30,579**

As at 31 December 2021, bank loans were secured by the following:

- Lease/ownership rights for land plots with the total area of 415 thousand sq. meters with the carrying amount of RUB 33,601 million recognized within land plots for construction and with the carrying amount of RUB 8,665 million recognized within real estate for sale and under construction;
- Investment property with the carrying amount of RUB 317 million;
- Property, plant and equipment with the carrying amount of RUB 1,050 million;
- Property rights (claims) for residential and non-residential premises in residential complexes under construction with the total area of 133 thousand sq. meters with the carrying amount of RUB 1,141 million;
- Property rights (claims) for general contractor agreements with FODD JSC and ANTTEK LLC with the carrying amount of RUB 6,328 million;
- Property rights (claims) under the pledge account agreement with Bank Otkritie Financial Corporation PJSC with the carrying amount of RUB 2,484 million;
- Guarantees of the Group's companies and the parent: INTECO JSC, KRION JSC, MNEVNIKI-DEVELOPMENT LLC, TD Nezhinskaya LLC, Magistrat LLC, KKPD JSC, SZ Sergey Makeev JSC, PATRIOT JSC, RSE-M LLC, Stroyexpo na Frunzenskoy LLC, VIP-Center JSC, M-HOLDING LLC, SZ Vrubelya 4 LLC, SZ Beta LLC, SZ Ilyinka LLC, TD Nezhinskaya LLC, TD Rusakovskaya LLC, SZ Alfa-Stroy LLC, Aurevo Limited;
- Interest and shares of subsidiaries: 100% of INTECO JSC, 100% of VIP-Center JSC, 100% of KRION JSC, 100% of SZ KKPD-INVEST LLC, 100% of TD Nezhinskaya LLC, 100% of Isakievskiy Otel LLC, M-Development LLC, Stroyexpo na Frunzenskoy LLC, RSE-M LLC, SZ Sergey Makeev JSC, MNEVNIKI-DEVELOPMENT LLC, SZ Beta LLC, SZ VIP-STROY LLC, SZ Alfa LLC, SZ Vrubelya 4 LLC, SZ Ilyinka 3/8 LLC.

As at 31 December 2020, bank loans were secured by the following:

- Lease/ownership rights for land plots with the total area of 195 thousand sq. meters with the carrying amount of RUB 7,573 million recognized within real estate for sale and under construction;
- Investment property with the carrying amount of RUB 320 million;
- Property, plant and equipment with the carrying amount of RUB 1,859 million;
- Guarantees of the Group's companies and the parent: INTECO JSC, KRION JSC, TD Nezhinskaya LLC, Stroytekhinvest JSC, Magistrat LLC, Isakievskiy Otel LLC, Aurevo Limited;
- Interest and shares of subsidiaries: 100% of INTECO JSC, 100% of VIP-Center JSC, 100% of KRION JSC, 100% of Stroytekhinvest JSC, 100% of TD Nezhinskaya LLC, 100% of Isakievskiy Otel LLC.

In 2020, the Group received a loan under the previously concluded loan agreement for providing a credit line to finance construction of residential complex Ilyinka located at Moscow, ul. Ilyinka, 3/8, blds. 3, 4, Bogoyavlenskiy per., 6, bld. 1. The loan bears a rate of 7.5%. As at 31 December 2020, the outstanding amount of the loan was RUB 128 million. The loan was fully repaid in 2021.

In August 2021, the Group concluded an agreement to raise project financing to construct residential complex Ilyinka located at Moscow, ul. Ilyinka, 3/8, blds. 3, 4, Bogoyavlenskiy per., 6, bld. 1. The loan bears a rate of 11.3%. As at 31 December 2021, the outstanding amount of the loan was RUB 1,521 million.

In 2019, the Group received a loan under a previously concluded loan agreement for providing a credit line to finance construction of residential complex Sadovye Kvartaly located at Moscow, ul. Usacheva, 11. The loan bears a rate of 10.5%. As at 31 December 2021, the principal amount of the loan was repaid and outstanding interest amounted to RUB 421 million. As at 31 December 2020, the outstanding amount of the loan was RUB 3,361 million.

In September 2019, the Group concluded an agreement to raise project financing to construct a project using escrow accounts: residential complex West Garden located at Moscow, crossing of ul. Minskaya and Kiev direction of Moscow Railway, floodplain of Ramenka river, line 1, stage 2, bld. 2, bld. 3. The loan bears a floating interest rate, which depends on the amount of cash on escrow accounts (standard interest rate of 11.7% and base interest rate of 4.65%). The effective interest rate on the loan is 11.49%. The Group's benefit from the loan agreement is a part of variable consideration and was recognized in determining the transaction price in contracts with real estate purchasers. As at 31 December 2021, the outstanding amount of the loan was RUB 5,628 million (31 December 2020: RUB 4,739 million).

In May 2019, the Group concluded an agreement to raise project financing to construct a project using escrow accounts: residential complex Westerdam located at Moscow, Western Administrative Okrug, Ochakovo-Matveyevskoye, crossing of Aminyevskoye shosse and Kiev direction of Moscow Railway, line 2, stage 1, housing area. The loan bears a floating interest rate, which depends on the amount of cash on escrow accounts (standard interest rate of 11.7% and base interest rate of 4.65%). The effective interest rate on the loan is 11.03%. The Group's benefit from the loan agreement is a part of variable consideration and was recognized in determining the transaction price in contracts with real estate purchasers. As at 31 December 2021, the outstanding amount of the loan was RUB 13,406 million (31 December 2020: RUB 6,520 million).

In March 2020, the Group concluded loan agreements to raise financing to acquire residential complex Vrubelya 4 located at Moscow, ul. Vrubelya, 4/1. The loans bear an interest rate of ¾ of the key rate of the Bank of Russia (6.4% as at 31 December 2021). The Group's benefit from the loan agreement is a part of variable consideration and was recognized in determining the transaction price in contracts with real estate purchasers. As at 31 December 2021, the outstanding amount of the loan was RUB 487 million (31 December 2020: RUB 450 million).

In August 2020, the Group concluded agreements to raise project financing to construct a project using escrow accounts: residential complex Vrubelya 4 located at Moscow, ul. Vrubelya, 4/1. The loan bears a floating interest rate, which depends on the amount of cash on escrow accounts (standard interest rate of 7.6% and reduced interest rate of 2.99%). The Group's benefit from the loan agreement is a part of variable consideration and was recognized in determining the transaction price in contracts with real estate purchasers. As at 31 December 2021, the outstanding amount of the loan was RUB 3,156 million (31 December 2020: RUB 1,433 million).

In January 2021, the Group concluded loan agreements to raise financing to acquire a project at Moscow, ul. Sergeya Makeeva, 11/9, blds. 1, 10-13. The loans bear an interest rate of ¾ of the key rate of the Bank of Russia (6.4% as at 31 December 2021). As at 31 December 2021, the outstanding amount of the loans was RUB 3,899 million.

In February 2021, the Group concluded a loan agreement to raise financing for a project before obtaining permits to perform construction at Moscow, ul. Sergeya Makeeva, 11/9, blds. 1, 10-13. The loan bears an interest rate of 9%. As at 31 December 2021, the outstanding amount of the loan was RUB 3,935 million.

In July 2021, the Group concluded a loan agreement to raise financing to acquire a project at Moscow, Frunzenskaya nab., 30. The loan bears an interest rate of ¾ of the key rate of the Bank of Russia (6.4% as at 31 December 2021). As at 31 December 2021, the outstanding amount of the loan was RUB 1,805 million.

In August 2021, the Group concluded a loan agreement to raise financing for a project before obtaining permits to perform construction at Moscow, Frunzenskaya nab., 30. The loan bears an interest rate which equals the key rate of the Bank of Russia +3.5% (12% as at 31 December 2021) before obtaining the construction permit, and subsequently – the key rate of the Bank of Russia + 2.75% for cash on escrow accounts and a fixed rate of 9.5% for cash not on escrow accounts. As at 31 December 2021, the outstanding amount of the loan was RUB 16,572 million.

In September 2021, the Group concluded loan agreements to raise financing to acquire a project at Moscow, ul. Mnevniki, 1. The loans bear the following interest rates: 1) the key rate of the Bank of Russia + 3.5% (12% as at 31 December 2021); 2) the key rate of the Bank of Russia + 4% (12.5% as at 31 December 2021). As at 31 December 2021, the outstanding amount of the loans was RUB 4,380 million.

In November 2021, the Group concluded a project financing agreement using escrow accounts for residential complex Leventsovka Park located at Rostov-on-Don, Sovetsky District, Leventsovsky residential area, blds. 5-8.1, 5-8.2 (base interest rate is 13.15%, special interest rate depending on the amount of cash on escrow accounts is from 0.01% to 9.3%), bld. 8-6 (base interest rate is 12.74%, special interest rate depending on the amount of cash on escrow accounts is from 0.01% to 8.72%). The Group's benefit from the loan agreement is a part of variable consideration and was recognized in determining the transaction price in contracts with real estate purchasers. As at 31 December 2021, the outstanding amount of the loan was RUB 242 million.

In 2020, the Group disposed of subsidiaries with the total loans payable of RUB 11,310 million (see Note 6b).

In 2021, the Group acquired subsidiaries with the total loans payable of RUB 11,387 million, including:

- An agreement to raise project financing using escrow accounts for a project located at Moscow, ul. Mnevniki, 1. The loan bears an interest rate of 10.45% before obtaining the construction permit, and subsequently – a floating interest rate, which depends on the amount of cash on escrow accounts (standard interest rate of 8.8% and reduced interest rate of 3%). As at 31 December 2021, the outstanding amount of the loan was RUB 4,138 million.
- An agreement to raise project financing using escrow accounts for residential complex Leventsovka Park located at Rostov-on-Don, Sovetsky District, Leventsovsky residential area, blds. 5-18.1, 5-18.2, 5-14, 5-15, 5-16, 5-6.1, 5-6.2, 5-9.1, 5-9.2, 5-5.1, 5-5.2. Interest rates depend on the amount of cash on escrow accounts and vary from 1.5% to 6.1%. The Group's benefit from the loan agreement is a part of variable consideration and was recognized in determining the transaction price in contracts with real estate purchasers. As at 31 December 2021, the outstanding amount of the loan was RUB 4,847 million.

In 2021, the Group repaid bank loans totaling RUB 25,138 million, including principal amount of RUB 22,889 million and interest of RUB 2,249 million (2020: the Group repaid bank loans totaling RUB 11,263 million, including principal amount of RUB 10,273 million and interest of RUB 990 million).

Covenants

Loan agreements concluded by the Group contain several financial and non-financial covenants, which, among other things, include requirements to maintain a certain level of financial indicators and ratios of the Group calculated based on cash flows on settlement accounts and indicators of financial statements of the Group's subsidiaries prepared in accordance with the Russian accounting standards. If these covenants are breached, creditors usually have the right to demand an early repayment of the principal amount of debt and interest.

As at 31 December 2020, the Group breached several financial covenants; however, banks sent confirmations that they would not exercise the right to demand early repayment of the loans.

As at 31 December 2021, the Group complied with all covenants under the loan agreements. In addition, banks sent confirmations that no covenants had been breached and there were no plans to demand early repayment of the loans.

Undrawn credit lines

As at 31 December 2021, the total amount of undrawn credit lines was RUB 76,720 million. As at the date of issue of these consolidated financial statements, the amount of the undrawn credit lines opened as at 31 December 2021 was RUB 71,714 million.

Terms and conditions of loans and borrowings

The terms and conditions of loans and borrowings outstanding as at the reporting date were as follows.

RUB million	31 December 2021	31 December 2020
Project financing		
in RUB at effective rates of 7.6%-13.2%	31,207	13,537
Secured bank loans		
in RUB at fixed rates of 11.00%-15.00%	13,565	–
in RUB at fixed rates of 10.30%-10.50%	19,244	13,886
in RUB at fixed rates of 0.10%-7.50%	–	130
Unsecured bank loans and other loans received		
in RUB at fixed rates of 0.10%-9.50%	8,359	2,951
in RUB at fixed rates of 10.30%-10.50%	–	40
Promissory notes (in RUB at a fixed rate of 0.10%)	35	35
	72,410	**30,579**

Reconciliation of changes in liabilities and cash flows from financing activities

RUB million	Carrying amount at 1 January 2021	Reclassifi-cation	Received	Repaid	Acquisition of subsidiaries (Note 6a)	Disposal of subsidiaries (Note 6b)	Interest accrued	Benefit on loans accrued	Recognition of discount on loans within equity	Carrying amount at 31 December 2021
Long-term borrowings	**28,556**	**(19,499)**	**35,358**	**(2,401)**	**6,176**	**–**	**2,360**	**(291)**	**(609)**	**49,650**
Unsecured bank loans and other loans	1,235	(842)	7,781	–	–	–	364	–	(609)	7,929
Secured bank loans	13,805	(8,483)	18,562	(2,396)	–	–	1,771	–	–	23,259
Project financing	13,481	(10,139)	9,015	(5)	6,176	–	225	(291)	–	18,462
Promissory notes	35	(35)	–	–	–	–	–	–	–	–
Short-term borrowings	**2,023**	**19,499**	**19,021**	**(22,737)**	**5,211**	**(153)**	**3,411**	**(3,436)**	**(79)**	**22,760**
Unsecured bank loans and other loans	1,756	842	–	(3,277)	955	–	233	–	(79)	430
Secured bank loans	211	8,483	7,668	(7,700)	148	(153)	893	–	–	9,550
Project financing	56	10,139	11,353	(11,760)	4,108	–	2,285	(3,436)	–	12,745
Promissory notes	–	35	–	–	–	–	–	–	–	35
Total liabilities arising from financing activities	**30,579**	**–**	**54,379**	**(25,138)**	**11,387**	**(153)**	**5,771**	**(3,727)**	**(688)**	**72,410**

RUB million	Carrying amount at 1 January 2020	Reclassifi-cation	Received	Repaid	Disposal of subsidiaries (Note 6b)	Interest accrued	Benefit of loans accrued	Recognition of discount on loans within equity	Gain from grants	Carrying amount at 31 December 2020
Long-term borrowings	**5,571**	**28,826**	**321**	**–**	**(6,056)**	**132**	**–**	**(238)**	**–**	**28,556**
Unsecured bank loans and other loans	1,986	1,473	–	–	(2,020)	34	–	(238)	–	1,235
Secured bank loans	–	13,805	–	–	–	–	–	–	–	13,805
Project financing	3,185	13,513	321	–	(3,636)	98	–	–	–	13,481
Promissory notes	400	35	–	–	(400)	–	–	–	–	35
Short-term borrowings	**22,030**	**(28,826)**	**23,849**	**(11,263)**	**(5,254)**	**2,301**	**(498)**	**–**	**(316)**	**2,023**
Unsecured bank loans and other loans	2,690	(1,473)	3,126	(2,013)	(844)	270	–	–	–	1,756
Secured bank loans	15,867	(13,805)	6,496	(9,250)	(185)	1,404	–	–	(316)	211
Project financing	2,839	(13,513)	14,192	–	(3,591)	627	(498)	–	–	56
Promissory notes	634	(35)	35	–	(634)	–	–	–	–	–
Total liabilities arising from financing activities	**27,601**	**–**	**24,170**	**(11,263)**	**(11,310)**	**2,433**	**(498)**	**(238)**	**(316)**	**30,579**

24 Provisions

RUB million	Provision for construction completion	Provision for litigations	Tax provision	Total
As at 1 January 2020	**249**	**73**	**120**	**442**
Utilized	(172)	(34)	–	(206)
Disposal of subsidiaries (Note 6b)	–	(3)	(120)	(123)
As at 31 December 2020	**77**	**36**	**–**	**113**
As at 1 January 2021	**77**	**36**	**–**	**113**
Charged	2,460	174	17	2,651
Utilized	–	(210)	–	(210)
Acquisition of subsidiaries (Note 6a)	–	4	32	36
As at 31 December 2021	**2,537**	**4**	**49**	**2,590**

The Group calculates provisions based on assumptions, which are associated with uncertainty and judgment. Estimated costs to complete construction represent the estimation of future costs, which the Group would probably incur to complete construction of already commissioned property items (completion of facade finishing, improvement, etc.). The estimated amount depends on changes in the rules and requirements for urban development, which may lead to changes in terms and conditions of construction projects and prices for materials and workforce.

Provisions for litigations are recognized at the moment of filing of a claim against the Group in the amount of the best estimate of costs required to settle the existing obligation at the end of the reporting period. The amount of such obligation is included in expenses in the period when it is accrued.

25 Accounts payable

RUB million	31 December 2021	31 December 2020
Long-term		
Long-term trade accounts payable	373	627
	373	**627**
Short-term		
Guarantee amounts retained from contractors	1,742	1,026
Accounts payable on construction works and other trade accounts payable	1,477	1,960
Payables to employees	1,193	563
Other accounts payable	564	352
Other advances received	166	165
Current lease liabilities	10	–
	5,152	**4,066**

Information on the Group's exposure to currency and liquidity risks related to trade and other accounts payable is disclosed in Note 26.

26 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 risks, and the Group's capital management framework. Further quantitative disclosures are included in the respective sections of these consolidated financial statements.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies deal with identifying and analyzing the risks related to the Group's activities, setting appropriate risk limits and controls, and monitoring risk and compliance with limits. Risk management policies and framework 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 at developing an orderly and effective 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 its counterparties fail to meet their contractual obligations under financial instruments or contracts with customers. Mainly, credit risk relates to trade accounts receivable, assets under contracts with customers, other financial assets, including loans issued and cash. During the reporting period, there were no significant changes in the structure of financial assets and their credit quality, as well as the Group's approaches to their measurement.

(i) Sale of apartments to individuals

The Group is not exposed to significant credit risk arising from sale of apartments to individuals as such transactions are primarily effected on terms of prepayments or using escrow accounts. Assets under contracts with customers are secured by cash on escrow accounts.

(ii) Accounts receivable from organizations

The Group's exposure to credit risk mainly depends on the individual characteristics of each customer or client.

Management maintains credit policy, according to which every new buyer (customer) is subject to individual review of creditworthiness before the Group's standard terms of payment and delivery are offered. These terms provide for, among others, penalties in the event of overdue payment.

For the purpose of operational control over the credit risk level, buyers and customers are broken down by group according to credit characteristics, such as agreement type, terms of origination and repayment of debt, existence of financial difficulties in previous periods.

The Group does not require collateral in respect of trade and other accounts receivable.

(iii) Guarantees

According to the policy, the Group issues guarantees only to its subsidiaries and associates.

(iv) Cash and cash equivalents

In order to manage credit risk related to cash and cash equivalents, the Group places the available cash mainly in Bank Otkritie Financial Corporation Public Joint Stock Company and the Group's letters of credit are placed in Sberbank of Russia Public Joint Stock Company. Management periodically reviews the creditworthiness of the banks in which it deposits cash.

(v) Assets under contracts with customers (escrow scheme)

For contracts concluded using escrow accounts, the risk is mitigated as it is compensated by cash raised on escrow account.

Level of credit risk

The maximum exposure to credit risk is equal to the carrying amount of financial assets and assets under contracts with customers. The Group distributes investments and significant accounts receivable at amortized cost by category of credit risk exposure based on data used to forecast the risk of losses (including, among others, external ratings, financial and accounting statements and information available to media) and applies judgment concerning credit risks based on experience.

The expected credit loss is calculated for accounts receivable based on the outstanding status of debt and actual experience of credit losses for the last three years.

The Group developed policies and procedures to manage credit risk aimed at controlling this risk.

As at the reporting date, the maximum amount of credit risk was as follows:

RUB million	**31 December 2021**	**31 December 2020**
Loans issued	9	4,395
Accounts receivable	798	2,191
Assets under contracts with customers	24,600	7,923
Cash and cash equivalents	8,795	3,865
	34,202	**18,374**

Cash and cash equivalents are placed in banks and financial institutions with credit rating not lower than B+ assigned by international credit rating agencies S&P Global Ratings, Fitch and Moody’s.

Impairment losses

Changes in allowance for impairment (for expected credit losses) related to the Group’s financial assets at amortized cost during the reporting period were as follows:

RUB million	**Borrowings issued**	**Accounts receivable**	**Total**
Impairment allowance at 1 January 2020	**3,493**	**662**	**4,155**
Decrease in expected credit losses due to disposal of subsidiaries	(2,635)	(176)	(2,811)
Decrease in expected credit losses due to write-off of debt	(854)	–	(854)
Reversal of impairment	–	(35)	(35)
Other changes in expected credit losses for the year, net	–	(28)	(28)
Impairment allowance at 31 December 2020	**4**	**423**	**427**

RUB million	**Loans issued**	**Accounts receivable**	**Total**
Impairment allowance at 1 January 2021	**4**	**423**	**427**
Decrease in expected credit losses due to disposal of a subsidiary	–	(18)	(18)
Reversal of impairment	–	(77)	(77)
Other changes in expected credit losses for the year, net	(2)	(48)	(50)
Impairment allowance at 31 December 2021	**2**	**280**	**282**

Assets under contracts with customers are in fact secured by cash raised on escrow accounts under respective contracts; therefore, the Group’s management believes that they are not exposed to significant credit risk.

Below are the amounts of accounts receivable and loans issued at amortized cost grouped by assets broken down by credit rating.

	Gross value 31 December 2021	Impairment 31 December 2021	Gross value 31 December 2020	Impairment 31 December 2020
Accounts receivable				
Internal credit rating of the Group				
A- to A++	773	–	2,093	–
B- to B++	49	(24)	194	(97)
Default	256	(256)	327	(326)
Total	**1,078**	**(280)**	**2,614**	**(423)**
Loans issued				
Internal credit rating of the Group				
A- to A++	9	–	4,395	–
Default	2	(2)	4	(4)
Total	**11**	**(2)**	**4,399**	**(4)**

(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 objective of liquidity risk management is to constantly maintain sufficient liquidity to meet the Group's liabilities when due, under both normal and stressed financial conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's financial department manages liquidity risk (including risks that the Group may be exposed to on the long, medium and short term) in accordance to internal regulations approved by the Board of Directors, which are regularly revised considering changes in market conditions.

The Group exercises centralized management of cash positions for all subsidiaries to enable ongoing monitoring of the available cash balance.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) represent the Group's performance, including the ability to finance costs and raise borrowings. Based on the financial statements, the Group calculated this indicator for 2021 and 2020:

RUB million	**Note**	**2021**	**2020**
Profit before tax		16,164	5,843
Depreciation of property, plant and equipment and amortization of intangible assets in general, administrative and selling expenses	8, 9	100	68
Finance expenses	12	6,203	3,830
Finance income	12	(554)	(522)
(Gain)/loss from changes in fair value of investment property	15	31	(22)
Reversal of impairment of accounts receivable		(77)	(35)
Gain on revaluation of property, plant and equipment	11	(156)	(24)
EBITDA		**21,711**	**9,138**

Risk of non-compliance with contractual terms

The Group actively monitors compliance with all the terms of loan agreements, and in the event of possible default, starts negotiations with creditors concerning making changes in the respective agreements before any default event actually occurs.

The following table summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2021					**Contractual cash flows**				
RUB million	**Carrying amount**	**On demand**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-5 years**	**5-10 years**	**Total**
Bank loans	72,410	–	15,021	9,889	45,644	1,768	2,197	9,905	84,424
Accounts payable	5,525	–	5,004	138	277	69	–	–	5,488
	77,935	**–**	**20,025**	**10,027**	**45,921**	**1,837**	**2,197**	**9,905**	**89,912**

31 December 2020					**Contractual cash flows**				
RUB million	**Carrying amount**	**On demand**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-5 years**	**5-10 years**	**Total**
Bank loans	30,579	–	1,413	1,839	18,516	4,726	6,900	1,064	34,458
Accounts payable	4,693	–	3,932	138	277	277	69	–	4,693
	35,272	**–**	**5,345**	**1,977**	**18,793**	**5,003**	**6,969**	**1,064**	**39,151**

(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 control market risk exposures within acceptable limits, while optimizing the return.

(i) Currency risk

The Group is exposed to foreign exchange risk in respect of purchases and cash balances denominated in currencies other than the Russian ruble. The currency risk arises from transactions in the euro.

Interests on loans and borrowings are denominated in the same currency as cash inflows from respective transactions, i.e. generally in Russian rubles. It helps the Group to hedge the foreign currency risk without using derivative financial instruments.

Currency risk level

The Group's currency risk level determined based on nominal amount of financial instruments was insignificant in 2021 and 2020.

(ii) Interest rate risk

Changes in interest rates mainly have an impact on loans and borrowings received since they change either their fair value (on fixed rate loans and borrowings) or future cash flows (on variable rate loans and borrowings). Management of the Group does not have a formal policy of determining how much of the Group's exposure should be related to fixed or variable rates. However, at the time when new loans or borrowings are raised, 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.

Risk level

As at the reporting date, the interest-bearing financial instruments were as follows:

RUB million	Note	31 December 2021	31 December 2020
Financial assets		**4,475**	**7,540**
Bank deposits within cash equivalents	20	4,466	3,145
Loans issued	18	9	4,395
Financial liabilities		**(72,410)**	**(30,579)**
Loans and borrowings	23	(72,410)	(30,579)
		(67,935)	**(23,039)**

The Group concluded loan agreements with a floating interest rate that depends on changes in the key rate of the Bank of Russia. As at 31 December 2021, the outstanding amount of the loans was RUB 22,473 million. Management does not hedge the floating interest rate risk.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates with respect to the portion of loans and borrowings which is exposed to interest rate risk. With all other variables held constant, assets and liabilities with floating interest rates affect profit before tax as follows:

	Increase/ (decrease) in percentage points	Effect on profit before tax
Key rate of the Bank of Russia	1.0%	(74)
Key rate of the Bank of Russia	(1.0)%	74

As at 31 December 2020, there were no loans and borrowings exposed to interest rate risk.

(e) Fair value and carrying amount

As at 31 December 2021 and 31 December 2020, the carrying amounts of the Group's financial assets and liabilities were not materially different from their fair values.

(f) Capital management

The Group takes measures aimed at maintaining a level of capital base so as to maintain investor and creditor confidence and to sustain development of the business. Core activities are maintained based on various financing sources, in particular, loans and borrowings (see Note 23), shared construction contracts and co-investment contracts. The Group strives to maintain an acceptable level of short-term debt and, if possible, to use long-term loans (see Note 23). The capital management policy is aimed mainly at sustaining financial stability, minimize cash gaps in financing and mitigate credit risk through refinancing.

Industry-related capital requirements

Starting from 2017, the law of the Russian Federation established requirements to the amount of share capital necessary to raise funds from shared construction participants (from RUB 2.5 million to RUB 1,500 million, depending on the area of property items constructed using cash from share construction participants). In case the share capital of developer is not in compliance with the requirements, the developer has the right to conclude a guarantee agreement in order to make the share capitals of the developer and the guarantor compliant with the established requirements. Share capital requirements are applicable to developers who received permissions before 1 July 2018. As at 31 December 2021, the main developer entities included in the Group are in compliance with the share capital requirement.

General corporate capital requirements

In accordance with the law of the Russian Federation, should the value of the net assets of a business entity be less than its share capital at the end of the second or each subsequent financial year, the entity shall increase the value of its net assets to the amount of its share capital or register the reduction of its share capital in accordance with the established procedure. If the value of an entity's net assets drops down below the minimum statutory level of its share capital, the entity shall be liquidated. The Group's management regularly checks the amount of net assets and timely implements measures to replenish them in order to prevent negative consequences for the Group.

27 Contingencies

(a) Tax contingencies

The taxation system in the Russian Federation continues to develop and is characterized 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. Fiscal periods remain open to review for three subsequent calendar years. Recent events within the Russian Federation suggest that the tax authorities may take a more assertive position in their interpretation of the legislation and assessments.

Also, regulatory changes aimed to control tax consequences of transactions with foreign companies and their activity have been introduced from 1 January 2015 including the concept of beneficial ownership of income, taxation of controlled foreign companies, rules to determine tax residency, etc. These changes may potentially have a material effect on the tax position of the Group and give rise to additional tax risks in the future. The legislation and law enforcement practices continue to evolve, and the effect of regulatory changes should be considered based on actual circumstances.

These circumstances may create tax exposures in the Russian Federation that are significantly higher than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretation of such provisions by the tax authorities and courts could differ, especially in view of the reform of the senior judicial authorities responsible for resolving tax disputes, and the effect on these consolidated financial statements, should the tax authorities were successful in enforcing their interpretations, could be significant.

Besides, the Group purchases work, services, raw and other materials from various suppliers who are fully responsible for compliance with tax legislation and established accounting rules (standards). At the same time, based on the current practices of the tax authorities, should tax authorities challenge tax compliance by the suppliers, it may lead to additional tax risk exposure for the Group. Should tax authorities prove successful in their claim to the suppliers, additional taxes payable may be assessed, despite the fact that management of the suppliers is primarily responsible for ensuring that taxes are paid in full and in a timely manner. Management did not accrue a provision for such liabilities in these consolidated financial statements, as it considers the risk of cash outflow in their settlement to be possible rather than high. According to management of the Group, the financial effect of potential tax liabilities that might be incurred by the Group as a result of transactions with such suppliers cannot be determined, as various approaches exist to determine the extent of the tax law violation.

Based on its understanding of the current and previous tax legislation, management believes that accrued provisions for tax liabilities are sufficient. However, the risk remains that the interpretation by the tax authorities of the Russian Federation could differ. Possible liabilities, which were identified by management as at 31 December 2021 as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these consolidated financial statements could be up to approximately RUB 921 million (31 December 2020: RUB 1,009 million). Recent events in the Russian Federation suggest that the tax authorities can take a more assertive position in their interpretation of legislation and assessments. The tax authorities may therefore challenge transactions and accounting methods that they have never challenged before. As a result, additional taxes, penalties and interest may be assessed.

(b) Litigations

In the ordinary course of business, the Group may be a party to various legal and tax proceedings, and be subject to claims. In the opinion of management, the Group’s liability, if any, in all current and pending litigations or other legal proceedings , will not have a material effect upon the financial position, results of operations or liquidity of the Group, other than as is already reflected in these consolidated financial statements.

(c) Warranty of work performed

In accordance with effective Russian legislation, the Group bears responsibility for the quality of construction works carried out under contracts with customers during the period of three years from the date of completion of a construction project. Based on warranty claims issued during previous periods, the amount of which was insignificant, the contingencies for warranties were not recorded in these consolidated financial statements of the Group.

(d) Insurance

The Russian insurance market is in the process of development; therefore, many forms of insurance common in other markets are not yet generally available in Russia.

The Group does not hold full insurance policies in relation to production interruption or general liability insurance agreements for the compensation of damage to property or environment caused by accidents at the Group’s facilities, or related to its activities.

The Group also has no insurance for force majeure events, which may occur with respect to constructed buildings during the period from revenue recognition to the date of title registration or signing a share construction acceptance certificate. Risk of losses in case of force majeure event during the stated period is borne by the Group.

The Group transfers cash for mandatory insurance contributions to the fund for protection of rights of citizens participating in shared construction. Insurance events related to these contracts are deemed foreclosures, as well as bankruptcy of developers, non-fulfillment of obligations to shared construction participants related to transfer of constructed property item as contractually due. Minimally established insurance amount under these insurance agreements equals the amount of shared construction contracts concluded.

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

(e) Industry regulation

Construction business in Russian Federation is mainly regulated by the provisions of the Civil Code of the Russian Federation, the Land Code of the Russian Federation, the Urban Planning Code of the Russian Federation, Federal Law No. 214-FZ*, On Participation in Shared Construction of Apartment Houses and Other Real Estate Objects and Amending Certain Legislative Acts of the Russian Federation*, Federal Law No. 122-FZ, *On State Registration of Rights to Real Property and Transactions Therewith*, by construction regulations and provisions approved by the Ministry of Industry and Energy of the Russian Federation and other legislative acts. Construction and development business requires compliance with onerous regulations and approval of numerous authorities at federal, regional and local level. In particular, Federal Agency for Construction, Housing and Communal Infrastructure (Rosstroy), Federal Supervisory Natural Resources Management Service and Federal Service for Environmental, Technological, and Nuclear Oversight as well as local architecture and construction supervisory authorities take part in the process of authorization and control over the construction of property.

Besides, all relevant environmental, fire protection and sanitary norms are effective in respect of construction activities.

28 Principal subsidiaries

As at 31 December 2021, the Group controlled 38 entities (31 December 2020: 22). Assets, liabilities, revenue and expenses of these entities are included in these consolidated financial statements.

The most material subsidiaries of the Group are as follows:

		Effective ownership interest		
	Region	**31 December 2021**	**31 December 2020**	**Type of operations**
SZ Alfa Stroy LLC	Moscow	100%	0%	Construction
Magistrat LLC	Moscow	100%	100%	Real estate services
UKS INTECO LLC	Moscow	100%	100%	Construction
SZ Ilyinka 3/8 LLC	Moscow	100%	100%	Construction
SZ Vrubelya 4 JSC	Moscow	100%	100%	Construction
SZ Beta LLC	Moscow	100%	0%	Construction
SZ Sergey Makeev JSC	Moscow	100%	0%	Construction
KKPD JSC	Rostov-on-Don	90%	0%	Manufacturing of reinforced concrete goods
KKPD-Invest LLC	Rostov-on-Don	100%	0%	Construction
SZ LEVENTSOVKA PARK LLC	Rostov-on-Don	100%	0%	Construction

29 Related party transactions

(a) Control relationships

As at 31 December 2021 and 31 December 2020, the Group was controlled by the Central Bank of the Russian Federation.

(b) Remuneration to key management

The amount of remuneration accrued for key management personnel in the reporting year was as follows:

RUB million	**2021**	**2020**
Salaries and bonuses	847	275
Social security costs	131	44
Total	**978**	**319**

(c) Related party transactions

Major related parties and their transactions and balances presented in the reporting periods are as follows:

- Aurevo Limited is a direct controlling shareholder, the parent until 9 September 2020;
- National Bank TRUST Public Joint Stock Company is an ultimate shareholder until 9 September 2020 and a direct controlling shareholder after that date;
- Other companies related to the Central Bank of the Russian Federation;
- Other related parties.

Transactions and balances with the parent and ultimate shareholder

RUB million	31 December 2021	31 December 2020
Loans and borrowings		
National Bank TRUST Public Joint Stock Company	6,650	3,122
Accounts payable		
National Bank TRUST Public Joint Stock Company	–	20

RUB million	2021	2020
Interest on loans, accrued		
National Bank TRUST Public Joint Stock Company	493	263

Transactions and balances with other companies related to the Central Bank of the Russian Federation

RUB million	31 December 2021	31 December 2020
Cash and cash equivalents	2,754	3,863
Loans and borrowings	41,115	25,982
Accounts payable	44	35

RUB million	2021	2020
Finance expenses	2,355	1,110
Other expenses	176	5

Transactions and balances with other related parties

RUB million	31 December 2021	31 December 2020
Loans issued	–	4,926
Accounts receivable	221	1,482
Accounts payable	1	3
Loans and borrowings	–	7

RUB million	2021	2020
General and administrative expenses	7	8
Selling expenses	–	5
Other revenue	8	64
Other cost	–	5
Finance income	11	11

As at 31 December 2020 and 31 December 2021, the Group provided guarantee to other related party for the amount of RUB 151 million.

30 Subsequent events

In February 2022, increased geopolitical tensions and a military conflict related to Ukraine negatively affected the economy of the Russian Federation. The European Union, the United States and several other countries have imposed new sanctions against a number of Russian state organizations and commercial entities, including banks, individuals and certain industries, as well as restrictions on certain types of transactions. Some global companies announced that they either suspend their operations in Russia or stop deliveries to the country. This resulted in increased volatility in stock and currency markets. The Russian ruble significantly depreciated against other currencies.

On 28 February 2022, the Central Bank of the Russian Federation decided to increase its key rate to 20%; on 11 April 2022, the key rate decreased to 17%, and on 29 April 2022, the key rate decreased to 14%.

Decrees No. 79 and No. 81 of the President of the Russian Federation of 28 February 2022 and 1 March 2022, respectively, introduced a prohibition on currency transactions related to the lending of foreign currency by residents to non-residents under loan agreements and a number of other special economic measures, including a ban on foreign-currency transfers by Russian residents to their overseas bank accounts, restrictions on payments on securities to foreign investors, as well as restrictions on transactions with foreign parties from certain countries.

Decree No. 100 of the President of the Russian Federation of 8 March 2022 introduced a ban or restriction on the export from the Russian Federation and (or) the import to the Russian Federation of products and (or) raw materials pursuant to lists determined by the Russian Government.

These events are expected to affect significantly the operations of Russian entities in different economic sectors.

In particular, the increase in the key rate will result in a significant growth of cost of borrowings for the Group. As at the date of issue of these consolidated financial statements, a preliminary agreement has been reached with banks whose interest rates on loans are linked to the key rate of the Bank of Russia on signing supplementary agreements and keeping a fixed rate on loans at the pre-crisis key rate level starting from 28 February 2022 (as at 31 December 2021, the outstanding amount of such loans was RUB 25,095 million).

Due to restrictions imposed by different countries, the Group may encounter difficulty in receiving supplies of some construction materials necessary for the production process. Currently, the Group is searching for alternative suppliers or construction materials similar to those that may disappear in the market. The expected increase in prices for construction materials will result in higher construction cost; however, the Group's management expects that this will be partially offset by higher real estate prices. In addition, due to high profitability of the Group's business, the Group expects that its business will remain profitable, even if there is no significant increase in real estate prices.

The Government of the Russian Federation developed and announced a number of anti-crisis measures to support development, including:

- The registration procedure for capital construction projects was simplified, and new standards for urban planning approvals were introduced (the deadline for approving master plans and amendments to them can no longer exceed one month, and the preparation of documentation for territories planning and changes to the master plan and changes to the rules for the use of land and construction can be performed simultaneously);
- The period of placing funds on escrow accounts may be extended for maximum two years at the request of a shared construction participant;
- It is allowed to extend current lease terms of land plots in state or municipal ownership up to three years, irrespective of lease receivables;
- A major portion of mandatory requirements in construction were withdrawn (reclassified to voluntary requirements);
- A moratorium on the inclusion of new buildings in the register of problematic objects was introduced.

In addition, the Government of the Russian Federation confirmed the preservation and financing of mortgage programs with state support, and the conditions to provide subsidies for interest rates on loans for developers are currently being discussed.

The Government of the Russian Federation announced the development of a system to monitor prices for construction resources and ensure prompt response to their changes, as well as a single platform related to pricing in construction based on the federal information system integrated with other information systems and e-trading platforms.

The Government of Moscow also introduced measures to support the construction industry, including an interest-free six-month delaying of lease payments and payment for changing the type of permitted use of land for the second quarter of 2022, rapid approval of changes in project documentation related to the use of alternative materials and technical solutions, and canceling of fines for minor violations of construction deadlines for good-faith developers.

The Group’s management regards these developments as non-adjusting events arising after the reporting date, the quantitative effect of which cannot be reliably measured at the moment.

The Group’s management is currently assessing the possible impact of the changing micro- and macroeconomic environment on the Group’s financial position, transaction procedure and performance.

Raising finance

In January 2022, National Bank TRUST PJSC opened a non-revolving credit line for one of the Group’s subsidiaries with the limit of RUB 630 million bearing an interest rate of ¾ of the key rate of the Bank of Russia and maturing in December 2029 to replenish the Group’s working capital.

31 Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021.

(i) Business combinations

Business combinations are recognized using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the paid consideration; plus
- The amount of any non-controlling interest in the acquiree; plus
- The fair value of the previously held interest in the acquiree, if business combination is achieved in stages; less
- Net recognized amounts (generally, fair values) of identifiable acquired assets less liabilities assumed

If the difference is a negative value, a bargain purchase gain is recognized immediately in profit or loss.

The compensation paid does not include the amounts relating to settlements in previous relationships. Such amounts are generally recognized in profit or loss.

Transaction costs incurred by the Group in terms of business combination, other than those relating to the issue of debt or equity securities, are expensed as incurred.

Contingent consideration is recognized at the acquisition date fair value. If a contingent consideration is classified as equity, it is not remeasured and the settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

(ii) Non-controlling interests

Non-controlling interest is recognized as a proportional part 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.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group has a control over a subsidiary when the Group has exposure or rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect the amount of returns. Specifically, the Group controls an entity if, and only if, the Group has:

- Power over an entity (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the entity;
- The ability to use its power to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over this company, including:

- The contractual arrangement(s) with other vote holders of the company;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent of the Group and to the non-controlling interests in full, even if this results in debit balance (deficit) on the account of non-controlling interests.

(iv) Transactions eliminated in consolidation

In preparing the consolidated financial statements, management eliminated intragroup transactions and balances and unrealized gains and losses on these transactions are excluded. Unrealized gains arising from transactions with equity-accounted investees are eliminated to the extent of the Group's interest in these investees. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment of corresponding (underlying) asset.

(v) Loss of control

When the Group loses control over a subsidiary, it ceases to recognize its assets and liabilities, respective non-controlling interest and other components of its equity. Any positive or negative result arising from loss of control is recorded in the profit or loss for the period. If the Group retains a part of the investment in the former subsidiary, such an interest is measured at the fair value at the date of loss of control. Consequently, this interest is recognized as an investment in an associate (using the equity method) or as a finance asset depending on the level of influence the Group will continue to have on the former company.

(vi) Share in equity-accounted investees

The Group's participation in equity-accounted investees includes shares in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. If the Group owns 20-50 percent of voting rights in the company, it is implied that a significant influence exists. Joint ventures are contractual entities over which the Group exercises joint control that gives the Group the title to net assets of these entities. The Group has no rights to assets of joint ventures and is not responsible for their liabilities.

Shares in associates and joint ventures are accounted for under the equity method and are initially carried at cost. Cost of investment includes also transaction costs.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees. This share is calculated by taking into account adjustments to align the accounting policies of a certain investee with those of the Group, from the date when significant influence or joint control commence until the date that significant influence or joint control cease.

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 to pay for losses of such entity or has made payments on behalf of the investee.

(vii) Acquisition of entities under common control

A business combination resulting from the transfer of an interest in entities under control of the major shareholder is recognized as acquisition on the date of transfer of the corresponding interest/shares to the Group. Acquired assets and liabilities are accounted for at their carrying amount determined in the financial statements of acquirees. The resulting differences between the value of the acquired assets and the amount of cash paid are recognized directly in equity.

(b) Discontinued operations

Discontinued operations comprise components of the Group's business, operations and cash flows of which can be clearly separated from other parts of the Group and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Operations are classified as discontinued at the moment of their disposal or when they meet the criteria of classification as held for sale if the latter occurred sooner. When operations are classified as discontinued, the comparatives of the statement of profit or loss and other comprehensive income are presented as if operations were considered discontinued from the beginning of the respective comparative period.

(c) Classification of assets and liabilities

The Group determined that normal operating cycle of certain projects range from 1 to 5 years depending on complexity of projects and types of property under construction. Assets and liabilities are classified as current and short-term correspondingly if they will be sold or settled during normal operating cycles determined for specific projects.

All other assets and liabilities are classified as non-current/long-term.

(d) Revenue from contracts with customers

(i) Revenue from sales of real estate

Revenue from sales of real estate includes revenue from sales of apartments in residential buildings constructed under previously developed and approved projects without considering individual requirements of the customers.

Revenue from sales of real estate is measured at the fair value of the consideration received or receivable, net of all trade discounts and rebates provided, if any, and includes significant financing component, which reflects the price that the buyer paid for property items if the buyer would have paid in cash when (or as) they are transferred to the buyer.

Revenue is recognized when or as the control is transferred to the buyer.

The Group recognized revenue as the respective performance obligations are satisfied. The Group determines the moment when performance obligations are satisfied considering the transfer of control over the asset. Control is defined as the ability to direct the use of and obtain benefits from the asset. Control also suggests that no other party is able to direct the use of and obtain benefits from the subsequent use of the asset.

If the Group transfers control within the period and, respectively, satisfied the performance obligation withing the period, sales revenue is also recognized within the period.

The moment of transfer of control, i.e. fulfillment of contractual liability, depends on individual terms of a contract with customer. The main part of the Group's revenue comprises revenue from shared construction contracts. Until 1 January 2018, revenue from shared construction contracts was recognized upon the construction completion at the moment of acceptance by the state commission.

The Group believes that the performance obligation under contracts with customers related to sale of property items is satisfied upon signing an act of real estate acceptance, except for shared construction contracts signed after 1 January 2017, the date when new version of Federal Law No. 214-FZ came into effect. The main effect of this law was that all shared construction agreements became non-cancellable, a developer has the right for the full amount of consideration under the contract if the construction has been completed without violation of terms of shared construction contracts, and the shared construction participant may not unilaterally refuse to perform under the contract out of court. Revenue under such contracts is recognized during the period based on the stage of completion of the performance obligation.

Amounts of consideration under contracts with customers are fixed. The Group determines the contractual amount considering the time value of money. If, upon the contract conclusion, the Group expects that the period starting from the date when the buyer makes payment and the date when the promised goods are transferred to the buyer exceeds one year, the Group adjusts the promised compensation considering the effect of the significant financing component. Such situation is possible when the contract with buyer is concluded during the real estate construction.

The Group measures a significant financing component at contract inception using a discounting rate calculated based on an estimated value of debt financing of the Group at the moment of full discharge of contractual obligations.

Interest expense recognized as a result of adjustment for significant financing component is recognized similar to finance costs. Significant financing component is included in the total realizable value of property item and accounted for in revenue recognized for a period.

The Group applies the input method to assess the stage of completion of a performance obligation based on the proportion of actual costs incurred to total planed costs. The Group believes that this method is most objective to reflect the progress of construction of each property item, which is closely connected with the transfer of each property item to buyers under shared construction contracts concluded after 1 January 2017. The stage of work completion under contract is assessed on a monthly basis as a proportion of actual costs to budgeted costs.

Acquisition costs of land plots and construction of property items of social and cultural value are excluded from actual and total planned costs and recognized in cost for the period based on the same allocation base as for revenue.

According to the terms of implementation of development projects, the Group assumes responsibility to construct property items of social and cultural value and infrastructure. During construction of each house, the Group includes all costs of such property items in construction cost even if they have not been incurred yet and recognizes provision for construction completion.

The Group allocates all general construction costs, loss-making contracts and costs to construct property items of social and cultural value and infrastructure in proportion to premises sold.

Non-monetary compensation

Non-monetary compensation received from buyers is measured at fair value. The fair value of non-monetary compensation received from buyers is estimated at the contract date.

The Group measures fair value of non-monetary compensation in accordance with IFRS 13 *Fair Value Measurement*. If fair value of non-monetary compensation cannot be reliably measured, the fair value is measured indirectly based on stand-alone selling prices.

Costs to obtain a contract

In accordance with IFRS 15, additional costs to obtain a contract must be recognized as assets provided certain criteria are fulfilled. Assets recognized with respect to capitalized costs to obtain a contract should be amortized on a systematic basis subject to the transfer of goods and services to which the asset relates to the buyer.

The Group pays compensation to specialized organizations for search and attraction of new clients and for conclusion of sales and purchase contracts for real estate.

The Group decided to apply optional practical expedient allowing to recognize additional costs to obtain a contract as expenses as they arise since the amortization period of an asset recognized due to capitalization of such costs is no more than a year. The Group does not incur any costs to obtain a contract, which meet capitalization criteria.

Use of escrow accounts

Beginning 1 July 2019, amendments to Federal Law No. 214-FZ *On Participation in Shared Construction of Apartment Houses and Other Real Estate Objects and Amending Certain Legislative Acts of the Russian Federation* of 30 December 2004 came into force, in accordance to which, in order to conclude shared construction contracts where the permission for construction is received after 1 June 2018, the developer has the right to attract cash from shared construction participants only using escrow accounts opened with authorized banks. Cash on escrow accounts are not available for use until the developer provides the bank with the real estate commissioning permit and information from the Uniform State Register of Taxpayers to confirm the state registration of the title to the shared construction unit being a part of the real estate.

Revenue from contracts with customers concluded using escrow accounts is recognized using the general rule for shared construction contracts concluded in accordance with Federal Law No. 214-FZ. Cash attracted by the Group to escrow accounts are not recognized as the Group assets until unlocked.

The Group concluded project financing agreements using escrow accounts. The loans bear variable interest rate subject to the amount of cash on escrow accounts. The Group’s benefit from loan agreements is a part of variable consideration and is recognized in determining the amount of transaction in contracts with real estate purchasers.

Changes in the initial estimate of such benefit are recognized in the period when occurred.

Project financing received by the Group at a preferential interest rate due to using escrow accounts is initially recognized at fair value.

Other revenue

Revenue from sales of construction materials and other revenue are recognized in the consolidated statement of profit or loss and other comprehensive income during the period based on the input method to measure the stage of completion of contractual obligation in cases when it is possible under IFRS 15.

(e) Leases

(i) Group as a lessor

Rental income from operating leases, less the Group’s direct costs of entering into such leases, is recognized on a straight-line basis over the lease term, except for contingent rental income which is recognized when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis.

Initial direct costs incurred in arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in profit or loss when they arise.

(ii) Group as a lessee

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of a right-of-use asset includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets recognized within property, plant and equipment are amortized based on the effective term of lease agreements. Estimated useful lives for the main groups of assets:

- Buildings and premises – 5-10 years;
- Equipment and vehicles – 3-5 years.

Right-of-use asset are reviewed for impairment.

If ownership of the leased asset is transferred to the Group at the end of the lease term or if the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies a recognition exemption to leases of low-value assets, i.e. assets with the value of less than RUB 5 million. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

(f) Other expenses

(i) Social contributions

Since the Group makes contributions to social and charitable programs, these expenses are recognized within profit or loss for the period as they are incurred.

(g) Finance income and expenses

Finance income comprises interest income on funds invested, gains from disposal of financial assets and foreign exchange gains. Interest income is recognized as it is accrued in profit or loss using the effective interest method.

Finance costs comprise interest expense on loans, liabilities under lease agreements, losses from disposal of financial assets, foreign exchange differences, as well as impairment losses recognized on financial assets.

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

The Group applies exemption from capitalization of borrowing costs, which allows excluding inventories created or otherwise generated in significant volumes on a regular basis. Due to that, the Group does include such borrowing costs into cost of constructed property but writes them off as they are incurred.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether it reflects net gain or net loss.

(h) Foreign currency transactions

Foreign currency transactions are translated into the respective functional currency of the Group's companies at the rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate prevailing at that date. The foreign currency gain or loss on monetary assets and liabilities is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for interest and amount of benefits provided during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into the functional currency at the exchange rate prevailing at the date when the fair value is determined. Non-monetary assets and liabilities in foreign currencies at cost are translated at the rate effective at the date of transaction. Foreign currency differences arising in translation are recognized in profit or loss.

(i) Employee benefits

(i) Contributions to the Russia's State Pension Fund

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

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided under the employment agreement. A liability is recognized for the amount expected to be paid under short-term cash bonus or share of profit 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 provided the obligation can be reliably measured.

(j) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less.

(k) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated, and it is highly 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. Changes in the discounted value resulting from the reduction of the discounting period ("unwinding of discount") are recognized as finance expenses.

(i) Provision for tax liabilities

The Group accrues provisions for tax payments in respect of tax risks, including fines and penalties in case tax is payable under the effective legislation. Such provisions are accrued and, if necessary, adjusted for the period when tax authorities may review settlements with the tax budget for completeness. At the end of that period, the provision is reversed. Tax provisions are recorded in income tax expense and other expenses.

(ii) Litigation costs

Provision is recognized if it is probable that the Group will lose in a litigation where the Group is a defendant and there is a need to settle a liability.

Provision for construction completion

Provision for construction completion costs is included in direct costs on construction in progress and calculated based on contracts concluded for works and services, which are crucial for functioning of a property item after its commissioning.

(iii) Onerous contracts

The provision for onerous contracts is recognized provided the benefits which the Group expects from fulfilling the provision (liability) are less than unavoidable expenses arising from fulfilling obligations under the respective contract. The amount of the provision is stated at the present value of the lower of estimated costs related to termination of contract and net value of estimated costs related to continued fulfilling of contractual obligations. Before setting up the provision, the Group recognizes all impairment losses from assets related to this contract.

(l) Property, plant and equipment

(i) Recognition and measurement

All property, plant and equipment are initially carried at cost.

Cost includes expenses that are directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. The costs of purchasing software that is an integral part of the related equipment are included in the cost of such equipment.

Where items of property, plant and equipment comprise separate components having different useful lives, each of the components is accounted for as a separate item (significant component) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment are measured by comparing the proceeds from disposal of such item to its carrying amount and are recognized within “Other income” or “Other expenses” in profit or loss on a net basis.

(ii) Subsequent measurement

Subsequently, property, plant and equipment (excluding construction in progress) are recorded at revalued cost representing their fair value at the revaluation date. Revaluation increase of the carrying amount of property, plant and equipment is recognized within other comprehensive income on a cumulative total basis within equity as revaluation reserve, except when such increase covers revaluation decrease for previous periods recognized in profit or loss (in that case such increase is recorded in profit or loss). Revaluation decrease of the value of property, plant and equipment covering revaluation increase for previous periods is recognized directly in other comprehensive income as revaluation reserve; all other decrease is recognized in profit or loss as impairment loss. All the depreciation accumulated by the date of revaluation is eliminated against the gross carrying amount, and the net amount is restated to the revalued amount of the asset. Revaluation surplus recognized in equity is transferred to retained earnings at disposal of an asset.

Depreciation

Depreciation is accrued on a depreciable amount, which is the revalued cost of an asset. Depreciation of every component of an item of property, plant and equipment is accrued on a straight-line basis over the estimated useful live. Land is not depreciated. Depreciation methods and useful lives are reviewed at each reporting date and adjusted, if necessary.

Estimated useful lives of property, plant and equipment:

- Buildings, constructions and transfer devices – 20-60 years;
- Machinery, equipment and vehicles – 5-25 years.

(m) Intangible assets

(i) Goodwill

Goodwill arising on acquisition of subsidiaries is recorded at cost less impairment losses.

(ii) Other intangible assets

Intangible assets acquired by the Group, which have finite useful lives, are recorded at cost less accumulated amortization and accumulated impairment losses.

(iii) Subsequent costs

Subsequent costs are capitalized only if they cause an increase in future economic benefits from using the related asset. All other costs, including those incurred on internally generated brands and goodwill, are recognized in profit or loss for the period as incurred.

(iv) Amortization

Amortization is accrued on the cost of the asset or any other substituting amount, less the residual value of the asset.

Each intangible asset, other than goodwill, is amortized on a straight-line basis over its estimated useful life from the day it is ready for use and is recognized in profit or loss for the period, since such a method most closely reflects the expected pattern of consumption of future economic benefits associated with the asset. The estimated useful lives of various assets for the current and the comparative periods range from 3 to 10 years.

Amortization methods, useful lives and residual values are remeasured at each reporting date and revised as appropriate.

(n) Investment property

Investment property is property held to earn rentals or for capital appreciation, of for both, rather than for sale in the ordinary course of business, for construction or for administrative purposes. Investment property also includes land with a currently undetermined future use.

Investment property is primarily represented by manufacturing and storage facilities, non-residential premises and land plots.

Investment property is initially measured at cost, including transaction costs. Transaction costs include transfer taxes, fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

After initial recognition, investment property is measured at fair value, with changes thereto recorded in profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, for example, at the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, for example, upon commencement of owner occupation or commencement of reconstruction with a view to sale.

When the use of an investment property changes so that it is transferred to property, plant and equipment or immovable property for sale or under construction, its fair value at the date of transfer becomes its cost for subsequent recognition.

Investment property is derecognized when either it has been disposed of or when it is withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the withdrawal or disposal of investment property are recognized in the profit or loss in the year of withdrawal or disposal.

Gains or losses on disposal of investment property are determined as the difference between net disposal proceeds and the carrying amount at the date of disposal.

(o) Financial instruments

The Group classified non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and accounts receivable.

(i) Non-derivative financial assets and liabilities – recognition and derecognition

The Group initially recognizes loans and accounts receivable and issued debt securities at the date of their origination/issue. All other financial assets and liabilities are initially recognized at the transaction date, as a result of which the Group becomes a party to the contractual provisions of the instrument.

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

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire. Financial assets and liabilities are offset and presented in the statement of financial position on a net basis only when the Group currently has a legally enforceable right to set off recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if such a right is not contingent on a future event and is legally enforceable both in the ordinary course of business and in case of default, insolvency or bankruptcy of the Group or any of its counterparties.

Non-derivative financial assets – measurement

The Group initially measures financial assets at fair value increased by transaction costs for financial assets not at fair value through profit or loss. Trade accounts receivable, which do not include a significant financing component or for which the Group applied a practical expedient are measured at the transaction cost.

A financial asset is classified at initial recognition as measured at amortized cost, at fair value through other comprehensive income for debt and equity instruments, or at fair value through profit or loss.

Financial assets are reclassified after initial recognition only if the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if both of the following conditions are met and if the Group selected not to measure it at fair value through profit or loss:

- The asset is held under a business model designed to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments are measured at fair value through other comprehensive income if both of the following conditions are met and if the Group selected not to measure the instrument at fair value through profit or loss:

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

All financial assets that do not qualify to be measured at amortized cost or at fair value through other comprehensive income, as stated above, are measured at fair value through profit or loss.

The Group assesses the business model under which the asset is held at the level of the portfolio of financial instruments, as it best reflects the model used to manage business and present information to management. The following information is considered:

- Policies and objectives established to manage the portfolio, and actual use of the policies. It includes management strategy focused on generating contractual interest income, maintaining a certain structure of interest rates, ensuring correlation of the maturities of financial assets with the maturities of financial liabilities used to finance these assets, or expected cash outflows, or realizing cash flows through the sale of assets;
- The procedure to assess the performance of the portfolio and the way this information is communicated to the Group's management;
- Risks that affect the business model performance (and the performance of financial assets held within that business model) and the way these risks are managed;
- Ways to remunerate managers responsible for managing the portfolio (for example, whether the remuneration depends on the fair value of the assets or the contractual cash flows received from the assets);
- Frequency, volume and timing of sales of financial assets in prior periods, reasons for such sales and expected future level of sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not regarded as sales for this purpose, and the Group continues to recognize those assets.

Financial assets which are held for trading or managed and the performance of which is evaluated on the basis of their fair values are measured at fair value through profit or loss.

The following accounting methods are used to subsequently measure financial assets:

- ***Financial assets at fair value through profit or loss*** are measured at fair value. Net gains or losses, including any interest income or dividend income, are recognized in profit or loss for the period;
- ***Financial assets at amortized cost are measured at amortized cost*** using the effective interest rate method. Amortized cost is reduced by the amount of impairment losses. Interest income, foreign exchange gains and losses and amounts of impairment are recognized in profit or loss. Any derecognition gains or losses are recorded in profit or loss for the period;
- ***Investments in debt instruments at fair value through other comprehensive income*** are measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and amounts of impairment are recognized in profit or loss. Other net gains or losses are recorded in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income is reclassified to profit or loss for the period;
- ***Investments in equity instruments at fair value through other comprehensive income*** are measured at fair value. Dividends are recognized as income in profit or loss for the period unless it is obvious that the dividends represent the recovery of a part of the investment's cost. Other net gains or losses are recognized in other comprehensive income and are never reclassified to profit or loss for the period.

(ii) Non-derivative financial liabilities – measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and accounts payable, net of directly attributable transaction costs.

Financial liabilities are classified as measured at amortized cost or as at fair value through profit or loss. A financial liability is designated as at fair value through profit or loss if it is classified as held for trading, is a derivative instrument, or designated as such at initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value, with net gains or losses, including any interest expense, recorded in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any derecognition gains or losses are also recorded in profit or loss.

(iii) Financial guarantees

Guarantees to secure third-party and related-party obligations are accounted for in accordance with IFRS 4 *Insurance Contracts*.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized net of the tax effect as a decrease in equity.

(q) Inventories

Inventories include construction in progress when the Group acts as customer and/or developer and real estate is held for sale, as well as funds invested in construction of apartments held for sale, raw materials and supplies, other construction in progress, and finished products.

Inventories are carried at the lower of actual cost and net realizable value. Net realizable value is the estimated selling price of inventories in the ordinary course of business less estimated costs of completion and sale.

The cost of real estate under construction is determined on the basis of individual costs for specific properties. These costs are allocated to apartments already completed pro rata their floor area. The cost of real estate properties includes construction costs and other expenses directly attributable to a specific development project.

In the course of constructing residential real estate, the Group may assume the following additional obligations:

- Deliver certain real estate properties, once constructed (such as schools or kindergartens), to local authorities free of charge;
- Construct certain infrastructure facilities (such as electrical substations, water purification, water supply and wastewater disposal systems, or highways) in exchange for development permits;
- Construct certain public infrastructure facilities (such as parking lots) where the customers' compensations are not expected to reimburse for the Group's construction costs;
- Conclude contracts with local authorities for the completion of certain residential buildings where most of the apartments have already been sold by the construction company that commenced the construction works but the construction has been suspended as a result of the construction company's bankruptcy or other similar reasons.

If the performance of such liabilities directly relates to the construction of real estate properties constructed by the Group for further sale, construction costs are included in the total cost of constructing the building to which those liabilities pertain. The total cost of construction includes construction expenses, the cost of land plots and the above expenses. The last two expense types are not included in the calculation of the percentage of completion and are taken to the cost of the premises sold.

The cost of inventories, other than construction in progress held for sale and investments in the construction of real estate held for sale, is calculated using the weighted average cost formula and includes the costs of purchasing inventories, production or processing costs and other expenses to bring them to their present location and condition. In the case of produced inventory and work in progress, cost includes an appropriate share of production overheads based on normal production capacity.

The operating cycle of a construction project may exceed 12 months. Real estate properties for sale and under construction are included in current assets even if they are not expected to be sold within 12 months after the reporting date.

(r) Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes allowances for expected credit losses (ECL) on the following assets:

- Financial assets at amortized cost;
- Investments in debt instruments at fair value through other comprehensive income; and
- Contract assets.

The Group assesses loss allowances in the amount of lifetime ECL, except for the following instruments, for which the recognized allowance is based on 12-month ECL:

- Debt securities determined to have low credit risk at the reporting date; and
- Other debt securities and bank account balances, for which there has not been a significant increase in credit risk (i.e. the risk of default over the expected life of the financial instrument) since initial recognition.

Loss allowances on trade accounts receivable and contract assets will always be measured in the amount of lifetime ECL. The allowance for impairment of accounts receivable is used to record impairment losses unless the Group is certain that an amount will not be recovered and records it as a decrease in the cost of the respective financial asset.

In assessing whether there has been a significant increase in credit risk on a financial asset since initial recognition and in measuring ECL, the Group analyzes reasonable and supportable information that is relevant and available without excessive cost or effort. This process involves both quantitative and qualitative information and analysis, which is based on the Group's experience and reasonable credit quality estimates, and includes forward-looking information.

The Group assumes that there has been a significant increase in credit risk on a financial asset if it is more than 30 days overdue.

The Group classifies a financial asset as a financial asset in default if:

- The borrower is unlikely to discharge its credit-related commitments to the Group in full unless the Group takes special measures such as sale of collateral (if any); and
- The financial asset is more than 90 days overdue.

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

12-month ECL represent a portion of ECL resulting from default events that are possible within 12 months after the reporting date (or a shorter period where the expected life of the financial instrument is less than 12 months).

The maximum period is considered when ECL are measured for the maximum contractual period over which the Group is exposed to credit risk.

ECL assessment

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are assessed at the present value of all expected cash shortfalls (i.e. the difference between cash flows due to the Group under the contract and cash flows that the Group expects to receive).

ECL are discounted at the effective interest rate for the respective financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses financial assets at amortized cost and debt securities at fair value through other comprehensive income for credit impairment. A financial asset is credit-impaired when there are one or more events that have a negative effect on estimated future cash flows from this asset.

The following observable data may serve as evidence of credit impairment of a financial asset:

- Significant financial difficulty of the borrower or issuer;
- Contract breaches, such as a default or payment overdue by more than 90 days;
- Restructuring by the Group of a loan or advance payment on terms than the Group would otherwise not contemplate;
- Probability of bankruptcy or other financial reorganization of the borrower; or
- Disappearance of an active market for a security due to financial difficulty.

Allowances for losses on financial assets at amortized cost are excluded from the gross carrying amount of the assets.

Allowances for losses on debt securities at fair value through other comprehensive income are accrued in profit or loss and recognized within other comprehensive income.

Write-offs

The gross carrying amount of a financial asset is written off when the Group does not expect the financial asset to be recovered in full or in part. The Group assesses the timing and amounts of write-offs for each of its enterprises on the basis of its reasonable expectations of whether the amounts will be recovered. The Group does not expect any significant recoveries of amounts written off. The financial assets written off, however, may still be subject to legal enforcement in order to ensure compliance with the Group's procedures for the recovery of amounts due.

Non-financial assets

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

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

The Group's corporate assets do not generate any separate cash flows and are used by more than one CGU. The cost of corporate assets is allocated among CGU on a reasonable and consistent basis. The assets are tested for impairment as part of the testing of the CGU to which the respective corporate asset was 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.

Impairment losses are recognized when the carrying amount of an asset or CGU to which the asset relates exceeds its recoverable value.

Impairment losses are recognized in profit or loss for the period. Losses from impairment of CGU are initially allocated to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGU) and then to reduce the carrying amount of the other assets in the CGU (group of CGU) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Impairment losses are 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 recorded, less accumulated depreciation or amortization, if no impairment loss had been recognized.

(s) Income tax

Income tax for the reporting period comprises the amount of current tax and deferred tax. Current income tax and deferred income tax are recognized in profit or loss for the period, except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax payable or recoverable is calculated based on the expected taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, including any adjustments to income tax for previous years. The calculation of current income tax payable also includes the tax liability arising on declared dividends.

Deferred tax is recognized in respect of temporary differences arising between accounting amounts and amounts used for taxation purposes.

Deferred tax is not recognized:

- In respect of temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- In respect of 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 recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. The amount of deferred tax assets is analyzed as at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

The measurement of deferred tax reflects the tax consequences following from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

In determining the amount of current and deferred income tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be assessed. Based on the assessment of various factors, the interpretation of Russian tax laws and prior year experience, the Group's management believes that tax liabilities for all the tax periods, for which the tax authorities may review budget settlements for completeness, are recognized in full. This assessment relies on estimates and assumptions and may involve a series of professional judgments about future events. In the course of time, new information may become available to the Group that may cause it to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense for the period in which the judgment changes.

(t) Government grants

Government grants are recognized only when there is reasonable certainty that the grant will be received and the entity will meet the associated conditions.

Government grants are recognized in profit or loss on any systematic basis over the period in which the entity recognizes expenses to match the grant to the costs that it is intended to compensate.

A government grant intended to compensate for expenses or losses already incurred, or not designed in respect of any future costs, is recognized in profit or loss in the reporting period in which it becomes virtually certain to be received.

Government grants to repay low interest rate loans are recognized and measured under IFRS 9. Loans received at below-market interest rates are initially measured at fair value; subsequently, interest expense is recognized on the loans, calculated using the effective interest rate method. The related benefit, representing a government grant, is measured as the difference between the fair value of the loan at initial recognition and the actual proceeds, and is accounted for in line with the nature of the grant.

Grants which exempt the entity from any expenses are presented gross within other finance income (i.e. on a gross basis).

32 New standards

New standards, interpretations and amendments to existing standards and interpretations applied by the Group for the first time

The accounting principles adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as at 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In 2021, the Group applied the below amendments and interpretations for the first time, but they did not have any effect on its consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary exemptions that remove consequences for the financial statements of replacing the interbank offered rate (IBOR) with the alternative nearly risk-free interest rate (RFR).

The amendments provide for the following:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by the IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments had no impact on the Group's consolidated financial statements. The Group intends to use practical expedients in future periods, if necessary.

Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions* – an amendment to IFRS 16 *Leases*. The amendment exempts lessees from the requirement in IFRS 16 to account for rent concessions as lease modifications if such rent concessions occur as a direct consequence of the COVID-19 pandemic. As a practical expedient, the lessee may elect not to assess whether a rent concession granted by the lessor in relation to the COVID-19 pandemic is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Group has no COVID-19-related rent concessions but plans to apply the practical expedient within the allowed period of application, if necessary.

Standards issued but not yet effective

New standards, amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, amendments and interpretations (if applicable) when they become effective.

- *Onerous Contracts – Costs of Fulfilling a Contract* (amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*);
- *Property, Plant and Equipment – Proceeds before Intended Use* (amendments to IAS 16 *Property, Plant and Equipment*);
- *Reference to the Conceptual Framework* (amendments to IFRS 3 *Business Combinations*);
- *Classification of Liabilities as Current or Non-current* (amendments to IAS 1 *Presentation of Financial Statements*);
- *Disclosure of Accounting Policies* (amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgments*);
- *Definition of Accounting Estimates* (amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*);
- *Deferred Tax related to Assets and Liabilities Arising from a Single Transaction* (amendments to IAS 12 *Income Taxes*).