Etalon Group PLC

Consolidated Interim Financial Statements

For the six months ended 30 June 2021

Contents

INTERIM MANAGEMENT REPORT

The Board of Directors of Etalon Group PLC (the "Company") presents to the members its Interim Management Report together with the Consolidated Interim Financial Statements of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2021. The Group's consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, including the requirements of IAS 34 "Interim Financial Reporting".

Financial results

The results of the Group for the six months ended 30 June 2021 are set out on page 10 of the consolidated interim financial statements.

(a) Revenue

The Group's total revenue for the six months ended 30 June 2021 amounted to RUB 39 884 million as compared to RUB 30 868 million for the six months ended 30 June 2020, an increase of RUB 9 016 million or 29%.

Revenue of the reportable segment "Residential development" increased by RUB 6 294 million or 23%, due to an increase in the revenues recognised from the sales of flats by RUB 5 438 million or 23% and an increase in the revenue recognised from the sales of parking places by RUB 674 million or 45%, and an increase in the revenue recognised from the sale of built-in commercial premises by RUB 182 million or 10%.

External revenues of the reportable segment "Construction services" decreased by RUB 476 million or 29% mainly due to completion of long term construction contracts entered into in previous periods and not entering into new ones, aiming to reduce the Group's presence in the segment.

External revenues of the reportable segment "Other" increased by RUB 3 198 million or 134% due to an increase in other revenue transferred at a point in time by RUB 2 361 million, an increase in the sales of construction materials by RUB 900 million or 119%, an increase in the sales of stand-alone commercial premises by RUB 86 million or 85%, partially offset by a decrease in rental revenue by RUB 61 million or 17%, and a decrease in other revenue related to servicing of premises by RUB 88 million or 7%.

(b) Gross profit

Gross profit for the six months ended 30 June 2021 is RUB 13 798 million compared to RUB 7 518 million for the six months ended 30 June 2020, an increase of RUB 6 280 million or 84%, which was mainly driven by the increase in gross profit of the reportable segment "Residential development" by RUB 3 853 million or 53% and gross profit of the reportable segment "Other" by RUB 2 643 million or 3304%.

(c) Results from operating activities

Profit from operating activities during the six months ended 30 June 2021 amounted to RUB 6 461 million compared to a profit of RUB 2 202 million for the six months ended 30 June 2020, an increase of RUB 4 259 million or 193%. The increase was mainly affected by the impact of an increase in gross profit offset by an increase in net other expenses.

During the six months ended 30 June 2021, general and administrative expenses increased by RUB 134 million or 6%, mainly due to an increase in audit and consulting services by RUB 75 million or 66% and an increase in other services by RUB 46 million or 15%.

Selling expenses decreased by RUB 74 million or 4%.

Other expenses, net increased by RUB 1 874 million or 213%, compared to the six months ended 30 June 2020, mainly due to an increase in impairment provision on inventories of RUB 1 484 million or 465%, an increase in fees and penalties incurred by RUB 524 million or 504%, offset by an increase in gain on disposal of investment property and property, plant and equipment by RUB 238 million or 496%.

(f) Net finance costs

Net finance costs for the six months ended 30 June 2021 increased by RUB 814 million or 28% compared to the six months ended 30 June 2020.

Finance income decreased by RUB 566 million or 44% mainly due to a decrease in a gain on write-off of accounts payable by RUB 86 million or 72%, a decrease in interest income on cash and cash equivalents and bank deposits by RUB 227 million or 31% and a decrease in the unwinding of the discount on trade receivables of RUB 283 million or 83%.

Finance costs increased by RUB 248 million or 6% due to an increase in the unwinding of the discount on other payables of RUB 963 million or 535%, net foreign exchange loss of RUB 300 million and an increase in interest expense on leases by RUB 37 million or 43%, offset by a decrease in expensed financing component and borrowing costs by RUB 1 035 million or 27%.

(g) Income tax expense

Income tax expense for the six months ended 30 June 2021 amounted to RUB 1 461 million compared to income tax expense of RUB 1 082 million during the six months ended 30 June 2020, an increase of RUB 379 million or 35%.

(h) Profit for the period

The profit for the six months ended 30 June 2021 attributable to the owners of the Company amounted to RUB 1 295 million, compared to a loss of RUB 1 772 million for the six months ended 30 June 2020.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in the notes 1(b), 2(d) and 26 of the Consolidated Interim Financial Statements.

Future developments of the Group

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

Nonrecurring or unusual activities and other significant events

a) COVID-19

Starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by the Russian Federation to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant effect on the businesses across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

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

In the first weeks following the introduction of restrictive measures, the Group launched an online real estate sales service, formed operational teams of managers, and strengthened its call center. The Group developed a new model of interaction with clients including virtual showrooms, virtual and augmented reality projects that provide a complete picture of the future apartments.

The Group's office-based employees were moved to remote working for a certain period of time with a return to office working as the epidemic conditions improved.

The quarantine measures, accompanied by the reduction of disposable income of households and the increase in unemployment rates, led to an overall decrease of the demand for real estate. At the same time, the Government of the Russian Federation implemented various measures to support both the construction industry and its clients, including the introduction of the preferential 6,5% p.a. mortgage program and the increase of its price limits on apartments, that had a significant positive impact on the demand for real estate.

As at the reporting date, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including on the operation of the Group's sales offices, and the Group observes that the demand for real estate has recovered.

b) Amendment of terms of significant contract

During 2014, the Group entered into a transaction for the acquisition of investment rights for a land plot located in Moscow, under which a certain part of the purchase price had to be paid by means of transfer of built-in commercial premises and parking spaces constructed on this land plot. During the six months ended 30 June 2021, the Group and the sellers of the plot decided to amend the terms of the contract so that the purchase price for the land plot would be settled in cash. The change in the amount of consideration led to the recognition of other revenue of RUB 2 361 million (note 6) and the recognition of an impairment loss on inventories of RUB 1 734 million (note 8).

Significant events subsequent to the reporting date are disclosed in note 32 of the Consolidated Interim Financial Statements.

Related party transactions

Related party transactions are disclosed in note 30 of the Consolidated Interim Financial Statements.

Dividends

As at the date these consolidated interim financial statements have been authorised for issue, no dividends for the current or pervious year have been recommended or paid.

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

Financial statements

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

By order of the Board of Directors,

Charalampos Avgousti	Sergey Egorov
Director	Director

Nicosia

24 September 2021

Responsibility Statement of the Directors and Management of the Company in Accordance with the Transparency Law

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

(a) The consolidated interim financial statements for the six-month period ended 30 June 2021:

(i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) including requirements of IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU) and in accordance with the provisions of section 10(4) of the Transparency Law;

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

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

SERGEY EGOROV, Chairman of the Board of Directors	
MAKSIM BERLOVICH, Member of the Board of Directors	
OLEG MUBARAKSHIN, Member of the Board of Directors	
MARINA OGLOBLINA, Member of the Board of Directors	
GANNA KHOMENKO, Member of the Board of Directors	
MARTIN ROBERT COCKER, Member of the Board of Directors	
BORIS SVETLICHNY, Member of the Board of Directors	
CHARALAMPOS AVGOUSTI, Member of the Board of Directors	
DENIS VINOKUROV, Member of the Board of Directors	
GENNADII SHCHERBINA, Member of the Board of Directors	
ALEXANDER VOLOSHIN, Member of the Board of Directors	
ILYA KOSOLAPOV, Chief Financial Officer	

24 September 2021

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Report on Review of interim consolidated financial statements

To the Members of Etalon Group PLC

Introduction

We have reviewed the accompanying interim consolidated financial statements of Etalon Group PLC ("the Company") and its subsidiaries (together with the Company, the "Group") on pages 9 to 76 which comprises the interim consolidated statement of financial position as at 30 June 2021 and the interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information ("the interim consolidated financial statements").

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report and the Responsibility Statement of the Directors and Management of the Company, which are presented in pages 3 to 6, and the supplementary information included in pages 77 to 78 presented for the purpose of additional analysis, but does not include the consolidated financial statements and our review report thereon.

Our review conclusion on the consolidated financial statements does not cover the other information.

Board of Directors' responsibilities

The Company's Board of Directors is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), including requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting' as adopted by the European Union.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review. This report, including the conclusion, has been prepared for and only for the Company. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Deloitte.

Report on Review of interim consolidated financial statements (continued)

To the Members of Etalon Group PLC

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements for the six-month period ended 30 June 2021 are not prepared, in all material respects, in accordance with International Financial Reporting Standards ("IFRS"), including requirements of IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Deloitte Limited

Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 24 September 2021

		Six months ended 30 June	
mln RUB	**Note**	**2021**	**2020**
Revenue from sale of real estate accounted for at historical cost		23 120	20 873
Revenue from sale of real estate acquired through business combinations and recognised at fair value at initial recognition		10 022	5 975
Other revenue		6 742	4 020
Revenue	6	**39 884**	**30 868**
Cost of sales of real estate accounted for at historical cost		(14 470)	(14 155)
Cost of sales of real estate acquired through business combinations and recognised at fair value at initial recognition		(7 583)	(5 457)
Other cost of sales		(4 033)	(3 738)
Cost of sales		**(26 086)**	**(23 350)**
Gross profit from sales of real estate accounted for at historical cost		8 650	6 718
Gross profit from sales of real estate acquired through business combinations and recognised at fair value at initial recognition		2 439	518
Gross profit from other sales		2 709	282
Gross profit		**13 798**	**7 518**
General and administrative expenses	7	(2 453)	(2 319)
Selling expenses		(1 964)	(2 038)
Impairment loss on trade and other receivables	26 (b)(ii)	(167)	(80)
Other expenses, net	8	(2 753)	(879)
Results from operating activities		**6 461**	**2 202**
Finance income – interest revenue	11	644	1 125
Finance income – other	11	65	150
Finance costs	11	(4 414)	(4 166)
Net finance costs		**(3 705)**	**(2 891)**
Profit/(loss) before income tax		**2 756**	**(689)**
Income tax expense	12	(1 461)	(1 082)
Profit/(loss) for the period		**1 295**	**(1 771)**
Total comprehensive income/(loss) for the period		**1 295**	**(1 771)**
Profit/(loss) attributable to:			
Owners of the Company		1 295	(1 772)
Non-controlling interest		-	1
Profit/(loss) for the period		**1 295**	**(1 771)**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		1 295	(1 772)
Non-controlling interest		-	1
Total comprehensive income/(loss) for the period		**1 295**	**(1 771)**
Earnings/(loss) per share			
Basic and diluted earnings per share (RUB)	22	4,10	(6,01)

The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 76.

mln RUB	Note	30 June 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	13	3 334	3 508
Investment property	14	568	691
Other long-term investments	15	378	424
Trade and other receivables	18	3 554	4 253
Deferred tax assets	16	7 705	6 692
Total non-current assets		**15 539**	**15 568**
Current assets			
Inventories under construction and development	17	94 990	102 179
Inventories - finished goods	17	13 036	11 291
Other inventories	17	2 463	1 975
Advances paid to suppliers	18	10 563	8 137
Costs to obtain contracts		897	840
Contract assets	18	12 375	7 138
Trade receivables	18	6 337	6 358
Other receivables	18	7 137	5 557
Income tax receivable		828	1 434
Short-term investments	19	92	212
Cash and cash equivalents	20	39 980	25 830
Total current assets		**188 698**	**170 951**
Total assets		**204 237**	**186 519**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	2	2
Share premium	21	26 489	15 486
Reserve for own shares	21	(1)	(1)
Retained earnings		36 881	35 586
Total equity attributable to equity holders of the Company		**63 371**	**51 073**
Total equity		**63 371**	**51 073**

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 76.

mln RUB	Note	30 June 2021	31 December 2020
Non-current liabilities			
Loans and borrowings	23	50 322	34 636
Trade and other payables	25	28 044	26 734
Provisions	24	111	129
Deferred tax liabilities	16	8 376	7 930
Total non-current liabilities		**86 853**	**69 429**
Current liabilities			
Loans and borrowings	23	9 985	15 869
Trade and other payables	25	20 703	21 216
Contract liabilities	25	22 085	28 351
Income tax payable		375	183
Provisions	24	865	398
Total current liabilities		**54 013**	**66 017**
Total equity and liabilities		**204 237**	**186 519**

These Consolidated Interim Financial Statements were approved by the Board of Directors on 24 September 2021 and were signed on its behalf by:

Charalampos Avgousti
Director

Sergey Egorov
Director

The consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 76.

mln RUB	Share capital	Share premium	Reserve for own shares	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the Company						
Balance as at 1 January 2020	2	15 486	(1)	37 089	52 576	-	**52 576**
Total comprehensive loss for the period							
Loss for the period	-	-	-	(1 772)	(1 772)	1	**(1 771)**
Total comprehensive loss for the period	-	-	-	(1 772)	(1 772)	1	**(1 771)**
Balance as at 30 June 2020	**2**	**15 486**	**(1)**	**35 317**	**50 804**	**1**	**50 805**

mln RUB	Share capital	Share premium	Reserve for own shares	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the Company						
Balance as at 1 January 2021	2	15 486	(1)	35 586	51 073	-	**51 073**
Total comprehensive income for the period							
Profit for the period	-	-	-	1 295	1 295	-	**1 295**
Total comprehensive income for the period	-	-	-	1 295	1 295	-	**1 295**
Transactions with owners, recorded directly in equity							
Shares issued	-	11 120	-	-	11 120	-	**11 120**
Transaction costs directly attributable to the issue	-	(117)	-	-	(117)	-	**(117)**
Total transactions with owners	-	11 003	-	-	11 003	-	**11 003**
Balance as at 30 June 2021	**2**	**26 489**	**(1)**	**36 881**	**63 371**	**-**	**63 371**

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 76.

mln RUB	Notes	Six months ended 30 June 2021	Six months ended 30 June 2020
OPERATING ACTIVITIES:			
Profit/(loss) for the period		1 295	(1 771)
Adjustments for:			
Depreciation	13, 14	233	385
Gain on disposal of property, plant and equipment	8	(108)	(25)
Gain on disposal of investment property	8	(178)	(23)
Loss on disposal of inventories under construction and development	8	6	-
Impairment loss on inventories	17	1 803	319
Impairment loss on trade and other receivables, advances paid to suppliers and investments	26 (b)(ii)	135	126
Loss on disposal of subsidiary	8	20	-
Significant financing component from contracts with customers recognised in revenue		(2 759)	(620)
Savings on escrow-backed loans recognised in revenue		(423)	(31)
Finance costs, net	11	3 705	2 891
Income tax expense	12	1 461	1 082
Cash from operating activities before changes in working capital and provisions		**5 190**	**2 333**
Change in inventories		3 242	2 781
Change in accounts receivable		(3 421)	2 635
Change in accounts payable		2 062	(2 219)
Change in provisions	24	449	-
Change in contract assets	18	(5 237)	(1 513)
Change in contract liabilities	25	(6 266)	(3 210)
Cash (used in)/generated from operating activities		**(3 981)**	**807**
Income tax paid		(1 231)	(1 731)
Interest paid		(2 097)	(2 504)
Net cash used in operating activities		**(7 309)**	**(3 428)**

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 76.

mln RUB	**Notes**	**Six months ended 30 June**	
		2021	**2020**
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		195	92
Proceeds from disposal of investment property		296	62
Interest received		496	723
Acquisition of property, plant and equipment		(236)	(306)
Loans given		(1)	(8)
Loans repaid		72	29
Proceeds from disposal of subsidiaries, net of cash disposed of		28	-
Acquisition of other investments	15, 19	(6)	(104)
Disposal of other investments	15, 19	125	105
Net cash from investing activities		**969**	**593**
FINANCING ACTIVITIES:			
Proceeds from borrowings	23	17 855	1 367
Repayments of borrowings	23	(7 361)	(4 958)
Payments for lease liabilities, excluding interest	27	(707)	(52)
Proceeds from issue of share capital		11 003	-
Net cash from/(used in) financing activities		**20 790**	**(3 643)**
Net increase/(decrease) in cash and cash equivalents		14 450	(6 478)
Cash and cash equivalents at the beginning of the period		25 830	31 128
Effect of exchange rate fluctuations		(300)	28
Cash and cash equivalents at the end of the period	20	**39 980**	**24 678**

The consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim financial statements set out on pages 15 to 76.

1 Background

a) Organisation and operations

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

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

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

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

The Company’s registered office is located at:

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

The Group’s principal activity is residential development in the Saint-Petersburg metropolitan area and the Moscow metropolitan area, both of which are located in the Russian Federation. The Group’s operations are not subject to seasonality.

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

b) Business environment

Starting from early 2020, a new coronavirus disease (COVID-19) began rapidly spreading all over the world resulting in an announcement of pandemic status by the World Health Organization in March 2020. Responses put in place by the Russian Federation to contain the spread of COVID-19 resulted in significant operational disruption for many companies and had a significant effect on businesses across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The quarantine measures, accompanied by the reduction of disposable income of households and the increase in unemployment rates, led to an overall decrease of the demand for real estate. At the same time, the Government of the Russian Federation implemented various measures to support both the construction industry and its clients, including the introduction of the preferential 6,5% p.a. mortgage program and an increase of its price limits on apartments, that had a significant positive impact on the demand for real estate.

As at the reporting date, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including on the operation of the Group’s sales offices, and the Group observes that the demand for real estate has recovered.

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

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

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

2 Basis of preparation

a) Statement of compliance

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

b) Basis of measurement and going concern principle

The consolidated interim financial statements are prepared on the historical cost basis. Management prepared these consolidated interim financial statements on a going concern basis. When making an assessment of the Group's ability to continue as a going concern over the next 12 months, the management took into account all available information about the future, including those events described in note 32, noting that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

c) Functional and presentation currency

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

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

d) Use of estimates and judgments

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

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

Critical accounting judgments

The following is the critical accounting judgement (apart from judgements involving estimation which are dealt with separately below), made during the year that had the most significant effect on the amounts recognised in the consolidated interim financial statements.

Effective from 1 January 2019, the Group ceased capitalisation of borrowing costs into the cost of inventories under construction and development, revenue for which is recognized over time. The change in the accounting policy was driven by a change in significant judgment that the land cost, being the part of inventory (work-in-progress), is not a qualifying asset for capitalisation of borrowings costs as defined in IAS 23 *Borrowing Costs*, as such asset is ready for its intended sale in its current condition.

Key sources of estimation uncertainty

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

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

e) Changes in accounting policies

The Group has consistently applied the accounting policies to all periods presented in these consolidated interim financial statements.

i) New Standards and Interpretations

The Group adopted all new standards and interpretations that were effective from 1 January 2021. The adoption of these standards and interpretations did not have any material effect on the Group’s consolidated interim financial statements.

New and amended standards and interpretations

The following amendments to the standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and did not have any significant impact on the Group’s financial position or performance.

- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The following amendments have been issued that are mandatory for the annual periods beginning after 1 January 2022, which the Group has not early adopted:

- IFRS 17 *Insurance Contracts* (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Disclosure of Accounting policies* (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 *Presentation of Financial Statements* - classification of liabilities as current or non-current (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 *Income Taxes* - Deferred tax related to assets and liabilities arising from a single transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 3 *Business Combinations* – Reference to the Conceptual Framework (effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022);
- Amendments to IFRS 9 *Financial Instruments* as a result of the 2018-2020 Annual Improvements to IFRSs - fees in the "10 percent" test for derecognition of financial liabilities (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* - sale or contribution of assets between an investor and its associate or joint venture (effective date to be determined by the IASB);
- Amendments to IAS 16 *Property, Plant and Equipment*, prohibiting companies from deducting from the value of property, plant and equipment the amounts received from sale of manufactured items while the company is preparing the asset for its intended use (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* - costs to be included in assessing onerous contracts (effective for annual periods beginning on or after 1 January 2022);
- Other annual improvements to IFRSs.

3 Significant accounting policies

a) Basis of consolidation

(i) Business combinations

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

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

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

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

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another entity when it holds more than half of the voting rights of the other entity. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date on which control commences until the date on which control ceases. The Group's significant subsidiaries are disclosed in note 31.

(iii) Transactions eliminated on consolidation

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

b) Foreign currency

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

c) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

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

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

Financial assets – Business model assessment

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

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

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

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

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

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

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

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

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

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

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

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

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

(iii) Modification of financial assets and financial liabilities

Financial assets

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

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

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

Financial liabilities

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

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

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

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

- change in the currency of the financial liability;

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

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

(iv) Derecognition

Financial assets

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

Financial liabilities

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

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

(v) Offsetting

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

(vi) Impairment

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

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

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

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

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

– Trade receivables and contract assets arising from sales of real estate;

– Trade receivables and contract assets arising from provision of construction services and other operations.

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

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

d) Advances paid and contract liabilities

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

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and call deposits with original maturities of three months or less. In accordance with IFRS 9, cash and cash equivalents are classified at amortised cost. Bank balances kept in escrow accounts, which represent funds received by authorized banks from escrow-account holders - participants of share participation agreements for construction of real estate, are not included in the balance of cash and cash equivalents. The funds will be transferred to the Group's bank accounts upon completion of construction of respective real estate and on such time will be recognised within cash and cash equivalents.

f) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. No estimates in respect of plant and equipment were revised in 2021.

g) Investment property

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

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

h) Inventories

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

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

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

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

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

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

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

i) Revenue

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

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

The Group recognises revenue when (or as) it transfers control over an asset to a customer. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Transfer of control may vary depending on the individual terms of the sales contracts.

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

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

The Group applies the input method because it believes that there is a direct relationship between the Group's inputs and the transfer of control of goods or services to a customer. The measurement of the value to the customer of the goods or services transferred to date, applied under the output method, is not available for the Group without undue cost. The Group excludes from the input method the effects of any inputs that do not contribute to the Group's progress in satisfying the performance obligation.

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

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

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

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

When the Group finances construction of residential buildings using project financing backed by balances on escrow accounts, it adjusts transaction price for the difference between interest expense on borrowings calculated using the base interest rate and the preferential interest rate. Interest rate on project financing depends on the proportion of balances on escrow accounts to the balance of project loan and varies from base interest rate (no balances on escrow accounts) to preferential interest rates (balances on escrow accounts exceed or equal balance of project loan).

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

Costs to obtain contracts

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

(ii) Revenue from construction services

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

- Contracts for provision of construction services;
- Contracts for construction of an asset.

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

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

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

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

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

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

(iii) Revenue from sale of construction materials

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

j) Leases

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

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

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

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

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

Lease modifications

A lessee accounts for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modifications that are not accounted for as separate leases, lease liabilities are remeasured by discounting the revised lease payments using revised discount rates and making corresponding adjustments to the right-of-use assets.

k) Income tax

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

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

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

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

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

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

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

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

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

4 Determination of fair values

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

a) Non-derivative financial assets

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

b) Non-derivative financial liabilities

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

5 Operating segments

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

- *Residential development*. Includes construction of residential real estate including flats, built-in premises and parking places.
- *Construction services*. Includes construction services for third parties and for internal purpose.
- *Other operations.* Include selling of construction materials, construction and sale of stand-alone commercial premises and various services related to sale and servicing of premises. None of these meets any of the quantitative thresholds for determining reportable segments during the six months ended 30 June 2021 and 2020.

Performance of the reportable segments is measured by the management based on gross profits, on the way in which the management organises the segments within the entity for making operating decisions and in assessing performance.

Starting from the financial statements for the year ended 31 December 2020, the performance of the reportable segment "Residential development" is additionally assessed on the basis of gross profit adjusted for purchase price allocation from the acquisition of Leader-Invest. The information for that reportable segment in respect of the six months ended 30 June 2020 is provided for the comparability purposes.

General and administrative expenses, selling expenses, finance income and finance costs are treated as equally attributable to all reporting segments and are not analysed by the Group on a segment-by-segment basis and therefore not reported for each individual segment.

The transition from the scheme of customer financing to bank project financing backed by escrow accounts led to the emergence of significant assets and liabilities that are attributable only to the reportable segment *Residential development* and are not attributable to other segments. Under the circumstances, the Board of Directors elected to focus on the measures of profit or loss of each reportable segment. Therefore the information about reportable segments' assets and liabilities, including the amounts for the six months ended 30 June 2020, were excluded from the information about reportable segments.

a) Information about reportable segments

	Residential development		**Construction services**		**Other**		**Total**	
	Six months ended 30 June		**Six months ended 30 June**		**Six months ended 30 June**		**Six months ended 30 June**	
mln RUB	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
External revenues	33 142	26 848	1 150	1 626	5 592	2 394	**39 884**	**30 868**
Including:								
St. Petersburg metropolitan area	12 081	12 711						
Moscow metropolitan area	21 061	14 137						
Inter-segment revenue	-	-	7 826	6 769	617	228	**8 443**	**6 997**
Total segment revenue	33 142	26 848	8 976	8 395	6 209	2 622	**48 327**	**37 865**
Gross profit adjusted for purchase price allocation from acquisition of Leader-Invest	12 611	8 634	(14)	202	2 723	95	**15 320**	**8 931**
Gross profit adjusted for purchase price allocation from acquisition of Leader-Invest, %	38%	32%						
Gross profit	11 089	7 236	(14)	202	2 723	80	**13 798**	**7 518**
Including:								
St. Petersburg metropolitan area	4 258	2 865						
Moscow metropolitan area	6 831	4 371						
Gross profit, %	33%	27%						
Including:								
St. Petersburg metropolitan area	35%	23%						
Moscow metropolitan area	32%	31%						

b) Geographical information

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

	Revenues		Non-current assets	
	Six months ended 30 June			
mln RUB	**2021**	**2020**	**30 June 2021**	**31 December 2020**
St. Petersburg metropolitan area	17 867	16 419	2 711	2 982
Moscow metropolitan area	22 017	14 449	1 191	1 217
	39 884	**30 868**	**3 902**	**4 199**

c) Reconciliations of reportable segment revenues and gross profit

mln RUB	Six months ended 30 June	
	2021	**2020**
Reconciliation of revenue		
Total revenue for reportable segments	48 327	37 865
Elimination of inter-segment revenue	(8 443)	(6 997)
Consolidated revenue	**39 884**	**30 868**
Reconciliation of gross profit adjusted for purchase price allocation from acquisition of Leader-Invest to profit before tax		
Total gross profit for reportable segments adjusted for purchase price allocation from acquisition of Leader-Invest	15 320	8 931
Purchase price allocation from acquisition of Leader-Invest included in cost of sales	(1 522)	(1 413)
Consolidated gross profit	**13 798**	**7 518**
Unallocated amounts		
General and administrative expenses	(2 453)	(2 319)
Selling expenses	(1 964)	(2 038)
Impairment loss on trade and other receivables	(167)	(80)
Other expenses, net	(2 753)	(879)
Finance income and interest revenue	709	1 275
Finance costs	(4 414)	(4 166)
Consolidated profit/(loss) before income tax	**2 756**	**(689)**

6 Revenue

mln RUB	Six months ended 30 June 2021	2020
Sale of flats - transferred at a point in time	6 164	4 439
Sale of flats - transferred over time	22 898	19 185
Sale of built-in commercial premises - transferred at a point in time	900	557
Sale of built-in commercial premises - transferred over time	1 017	1 178
Sale of parking places - transferred at a point in time	1 087	859
Sale of parking places - transferred over time	1 076	630
Total revenue - segment Residential development (note 5 (a))	33 142	26 848
Long term construction contracts - transferred over time	701	1 215
Short term construction services - transferred at a point in time	449	411
Total revenue of segment Construction services (note 5 (a))	1 150	1 626
Sale of construction materials - transferred at a point in time	1 657	757
Sale of stand-alone commercial premises - transferred over time	187	101
Other revenue - transferred over time	1 093	1 181
Other revenue - transferred at a point in time (note 8)	2 361	-
Total other revenue (note 5 (a))	5 298	2 039
Total revenues from contracts with customers	**39 590**	**30 513**
Rental revenue (note 5 (a))	294	355
Total revenues	**39 884**	**30 868**

Contract balances

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

mln RUB	30 June 2021	31 December 2020
Trade receivables	9 841	10 413
Contract assets	12 375	7 138
Contract liabilities	(22 085)	(28 351)

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

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

Contract liabilities include advance consideration received from customers.

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

	Six months ended			
	30 June 2021		**30 June 2020**	
mln RUB	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at 1 January	7 138	(28 351)	2 463	(36 439)
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	-	26 070	-	25 043
Other revenue - transferred at a point in time		2 361	-	-
Increases due to cash received, excluding amounts recognized as revenue during the period	-	(21 901)	-	(20 478)
Transfers from contract assets recognised at the beginning of the period to receivables	(1 210)	-	(1 146)	-
Increase as a result of changes in the measure of progress	6 359	-	2 600	-
Financing component under IFRS 15	88	(264)	59	(1 355)
Balance at 30 June	12 375	(22 085)	3 976	(33 229)
Change during the period	**5 237**	**6 266**	**1 513**	**3 210**

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

30 June 2021 **mln RUB**	**2021**	**2022**	**2023**	**2024**	**Total**
Residential development	25 349	20 111	3 085	32	**48 577**
Construction services	192	-	-	-	**192**
Construction of stand-alone commercial premises	1 743	2 572	-	-	**4 315**
Total	**27 284**	**22 683**	**3 085**	**32**	**53 084**

31 December 2020 **mln RUB**	**2021**	**2022**	**2023**	**Total**
Residential development	28 867	9 270	691	**38 828**
Construction services	569	-	-	**569**
Construction of stand-alone commercial premises	2 591	1 931	-	**4 522**
Total	**32 027**	**11 201**	**691**	**43 919**

As at 30 June 2021, capitalised costs to obtain contracts with the customers of RUB 353 million will be recognised within selling expenses after more than 12 months from the reporting date (31 December 2020: RUB 323 million).

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

7 General and administrative expenses

	Six months ended 30 June	
mln RUB	**2021**	**2020**
Payroll and related taxes	1 356	1 378
Services	363	317
Audit and consulting services	188	113
Depreciation	116	104
Other taxes	66	128
Bank fees and commissions	53	51
Repair and maintenance	42	45
Materials	22	19
Other	247	164
Total	**2 453**	**2 319**

8 Other expenses, net

	Six months ended 30 June	
mln RUB	**2021**	**2020**
Other income		
Gain on disposal of investment property	178	23
Gain on disposal of property, plant and equipment	108	25
Fees and penalties received	95	90
Other income	8	81
	389	**219**
Other expenses		
Impairment loss on inventories (note 17)	(1 803)	(319)
Fees and penalties incurred	(628)	(104)
Other taxes	(182)	(226)
Cost of social infrastructure for completed projects	(129)	(161)
Charity	(35)	-
Loss on disposal of subsidiary	(20)	-
Loss on disposal of inventories under construction and development	(6)	-
Other expenses	(339)	(288)
	(3 142)	**(1 098)**
Other expenses, net	**(2 753)**	**(879)**

During 2014, the Group entered into a transaction for the acquisition of investment rights for a land plot located in Moscow, under which a certain part of the purchase price had to be paid by means of transfer of built-in commercial premises and parking spaces constructed on this land plot. The Group recognised the land component of this construction project as a part of the inventory at the fair value of the acquired investment rights, and the respective liabilities to the sellers of the land plot within contract liabilities. The Group also accrued interest expense (financing component under IFRS 15) onto the balance of contract liabilities, part of which was capitalised into the cost of the commercial premises under construction.

During the six months ended 30 June 2021, the Group and the sellers of the plot decided to amend the terms of the contract so that the purchase price for the land plot would be settled in cash. The change in the amount of consideration in the amended contract led to the recognition of an impairment loss on inventories of RUB 1 734 million.

The Group also included RUB 2 361 million into other revenue recognised at a point in time - as the difference between the carrying amount of the liability to the sellers of the land plot and the amount of cash consideration payable.

9 Personnel costs

	Six months ended 30 June	
mln RUB	**2021**	**2020**
Wages and salaries	3 599	3 166
Social security contributions	889	755
	4 488	**3 921**

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

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

During the six months ended 30 June 2021, personnel costs and related taxes included in cost of production amounted to RUB 2 691 million (six months ended 30 June: RUB 2 087 million). The remaining part of personnel expenses was subsumed within general and administrative expenses and selling expenses in the total amount of RUB 1 797 million (six months ended 30 June 2020: RUB 1 834 million).

The average number of staff employed by the Group during the six months ended 30 June 2021 was 4 401 employees (six months ended 30 June 2020: 4 682 employees).

10 Share-based payment arrangements

Share option programme (equity-settled)

On 8 June 2018, the Company granted awards in the form 5 550 000 GDRs of the Company's ordinary shares under the Company's management incentive plan to senior management team employees and executive directors. There were no vesting conditions in the share based payment, but a restriction (lock up period) of 7 years, during which the participants were not entitled to sell, transfer or otherwise dispose any respective GDRs received from the Group, unless such sale, transfer or disposal has been approved by the Group.

Following the share based payment dated 8 June 2018, the Group has no share-based payment arrangements in place.

As at the date these consolidated interim financial statements have been authorised for issue, senior management team employee currently employed by the Group, continues holding the granted GDRs.

11 Finance income and finance costs

mln RUB	Six months ended 30 June 2021	2020
Recognised in profit or loss		
Finance income		
Interest income under the effective interest method on:		
- Cash and cash equivalents (except bank deposits)	217	383
- Unwinding of discount on trade receivables	60	343
- Bank deposits - at amortised cost	279	340
- Interest income - financing component under IFRS 15	88	59
Total interest income arising from financial assets measured at amortised cost	**644**	**1 125**
Gain on write-off of accounts payable	33	119
Reversal of impairment on investments and advances paid to suppliers	32	3
Net foreign exchange gain	-	28
Finance income - other	**65**	**150**
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expenses- financing component under IFRS 15	(264)	(1 355)
- Interest expenses - borrowing costs	(2 521)	(2 465)
- Interest expense on leases	(123)	(86)
- Unwinding of discount on other payables	(1 143)	(180)
Impairment loss on advances paid to suppliers	-	(49)
Other finance costs	(63)	(31)
Net foreign exchange loss	(300)	-
Finance costs	**(4 414)**	**(4 166)**
Net finance costs recognised in profit or loss	**(3 705)**	**(2 891)**

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

mln RUB	Six months ended 30 June 2021	2020
Borrowing costs and significant financing component capitalised during the year	210	130
Weighted average capitalisation rate	14,86%	14,86%

During the six months ended 30 June 2021, borrowing costs and significant financing component that have been capitalised into the cost of real estate properties under construction and development (revenue for which was not recognised over time) of RUB 38 million (six months ended 30 June 2020: RUB 76 million), were included into the cost of sales upon construction and sale of those properties – including borrowing costs of RUB 23 million (six months ended 30 June 2020:

RUB 64 million) and significant financing component of RUB 15 million (six months ended 30 June 2020: RUB 12 million).

12 Income tax expense

The Company's applicable tax rate under the Cyprus Income Tax Law is 12,5%. The Cypriot subsidiaries' applicable tax rate is 12,5%. For the Russian companies of the Group the applicable income tax rate is 20% (six months ended 30 June 2020: 20%).

	Six months ended 30 June	
mln RUB	**2021**	**2020**
Current tax expense		
Current year	2 018	1 507
Under-provided in prior year	11	-
	2 029	1 507
Deferred tax expense		
Origination and reversal of temporary differences	(568)	(425)
Income tax expense	**1 461**	**1 082**

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

	Six months ended 30 June	
mln RUB	**2021**	**2020**
Profit/(loss) before income tax	2 756	(689)
Theoretical income tax at statutory rate of 20%	551	(138)
Adjustments due to:		
Under-provided in prior year	11	-
Tax losses for which no deferred tax asset was recognised	42	-
Write-off of previously recognised deferred tax assets	-	524
Expenses not deductible and income not taxable for tax purposes, net	857	696
Income tax expense	**1 461**	**1 082**

During the six months ended 30 June 2021, expenses not deductible for tax purposes included, among other, interest accrued in respect of discounted trade payables for acquisition of 88% of share capital of LLC "Specialized Developer "ZIL-YUG" of RUB 1 156 million (six months ended 30 June 2020: nil) and interest accrued on secured bank loans used to finance the acquision of JSC "Leader-Invest" in 2019 of RUB 1 328 million (six months ended 30 June 2020: RUB 1 281 million).

13 Property, plant and equipment

During the six months ended 30 June 2021, depreciation expense of RUB 128 million (six months ended 30 June 2020: RUB 119 million) was charged to cost of sales, RUB 5 million (six months ended 30 June 2020: RUB 7 million) to cost of real estate properties under construction and development, RUB 6 million to other expenses, net (six months ended 30 June 2020: RUB 189 million) and RUB 88 million (six months ended 30 June 2020: RUB 67 million) to general and administrative expenses.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
Cost							
Balance at 1 January 2020	2 928	2 482	118	329	120	269	**6 246**
Additions	211	19	4	96	-	26	**356**
Disposals	(193)	(22)	(6)	(13)	-	-	**(234)**
Transfers	63	-	-	21	-	(84)	**-**
Balance at 30 June 2020	3 009	2 479	116	433	120	211	**6 368**
Balance at 1 January 2021	2 927	2 459	111	448	117	273	**6 335**
Additions	40	39	6	46	-	160	**291**
Reclassification to inventories	(147)	-	-	-	-	-	**(147)**
Disposals	(97)	(304)	(9)	(39)	(4)	-	**(453)**
Transfers	24	2	-	1	-	(27)	**-**
Balance at 30 June 2021	2 747	2 196	108	456	113	406	**6 026**
Depreciation and impairment losses							
Balance at 1 January 2020	(560)	(1 853)	(73)	(199)	-	-	**(2 685)**
Depreciation for the period	(272)	(71)	(8)	(31)	-	-	**(382)**
Disposals	105	12	4	8	-	-	**129**
Balance at 30 June 2020	(727)	(1 912)	(77)	(222)	-	-	**(2 938)**
Balance at 1 January 2021	(610)	(1 892)	(79)	(246)	-	-	**(2 827)**
Depreciation for the period	(101)	(75)	(8)	(43)	-	-	**(227)**
Disposals	64	278	8	12	-	-	**362**
Balance at 30 June 2021	(647)	(1 689)	(79)	(277)	-	-	**(2 692)**
Carrying amounts							
Balance at 1 January 2020	**2 368**	**629**	**45**	**130**	**120**	**269**	**3 561**
Balance at 30 June 2020	**2 282**	**567**	**39**	**211**	**120**	**211**	**3 430**
Balance at 1 January 2021	**2 317**	**567**	**32**	**202**	**117**	**273**	**3 508**
Balance at 30 June 2021	**2 100**	**507**	**29**	**179**	**113**	**406**	**3 334**

14 Investment property

mln RUB	2021	2020
Cost		
Balance at 1 January	1 017	1 375
Additions	6	(171)
Disposals	(148)	(48)
Balance at 30 June	**875**	**1 156**
Accumulated depreciation and impairment losses		
Balance at 1 January	(326)	(310)
Depreciation for the period	(11)	(10)
Disposals	30	9
Reclassified to assets held for sale	-	8
Balance at 30 June	**(307)**	**(303)**
Carrying amount at 1 January	691	1 065
Carrying amount at 30 June	**568**	**853**

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

As at 30 June 2021, the fair value of investment property amounted to RUB 862 million (31 December 2020: RUB 1 027 million), which was determined based on discounted cash flows from the use of the property. Fair value estimate represents level 3 of the fair value hierarchy, as defined in note 26. The Group did not identify any indicators of impairment as at 30 June 2021 and 2020, and did not recognise any impairment losses for investment property during the six months ended 30 June 2021 and 2020.

15 Other long-term investments

mln RUB	30 June 2021	31 December 2020
Loans - at amortised cost	258	321
Investment in associate	129	124
Bank promissory notes - at amortised cost	3	3
	390	**448**
Loss allowance for loans given	(12)	(24)
	378	**424**

As at 30 June 2021, a bank promissory note of RUB 3 million (31 December 2020: RUB 3 million) was pledged as security for a secured bank loan, see note 23.

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

16 Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

mln RUB	**Assets**		**Liabilities**		**Net**	
	30 June 2021	**31 December 2020**	**30 June 2021**	**31 December 2020**	**30 June 2021**	**31 December 2020**
Property, plant and equipment	217	178	(261)	(255)	(44)	(77)
Investments	166	169	(20)	(28)	146	141
Inventories	11 217	9 269	(2 591)	(3 522)	8 626	5 747
Contract assets and trade and other receivables	2 663	1 750	(5 261)	(4 034)	(2 598)	(2 284)
Deferred expenses	22	19	-	-	22	19
Loans and borrowings	75	52	(127)	(130)	(52)	(78)
Provisions	140	141	(145)	(95)	(5)	46
Contract liabilities and trade and other payables	5 798	5 285	(13 603)	(11 146)	(7 805)	(5 861)
Tax loss carry-forwards	1 172	1 295	-	-	1 172	1 295
Other	211	155	(344)	(341)	(133)	(186)
Tax assets/(liabilities)	21 681	18 313	(22 352)	(19 551)	(671)	(1 238)
Set off of tax	(13 976)	(11 621)	13 976	11 621	-	-
Net tax assets/(liabilities)	**7 705**	**6 692**	**(8 376)**	**(7 930)**	**(671)**	**(1 238)**

b) Unrecognised deferred tax liability

At 30 June 2021, a deferred tax liability arising on temporary differences of RUB 76 962 million (31 December 2020: RUB 70 777 million) related to investments in subsidiaries was not recognized because the Company controls the timing of reversal of the temporary differences and is satisfied that those differences will not be reversed in the foreseeable future.

c) Movement in temporary differences during the period

mln RUB	31 December 2020	Recognised in profit or loss	30 June 2021
Property, plant and equipment	(77)	33	(44)
Investments	141	5	146
Inventories	5 747	2 879	8 626
Contract assets and trade and other receivables	(2 284)	(314)	(2 598)
Deferred expenses	19	3	22
Loans and borrowings	(78)	26	(52)
Provisions	46	(51)	(5)
Contract liabilities and trade and other payables	(5 861)	(1 944)	(7 805)
Tax loss carry-forwards	1 295	(123)	1 172
Other	(186)	53	(133)
	(1 238)	**567**	**(671)**

17 Inventories

mln RUB	30 June 2021	31 December 2020
Inventories under construction and development		
Own flats under construction and development	80 428	81 898
Built-in commercial premises under construction and development	11 045	14 453
Parking places under construction and development	7 929	8 526
	99 402	**104 877**
Less: Allowance for inventories under construction and development	(4 412)	(2 698)
Total inventories under construction and development	**94 990**	**102 179**
Inventories - finished goods		
Own flats	6 104	4 684
Built-in commercial premises	2 191	2 426
Parking places	6 643	5 993
	14 938	**13 103**
Less: Allowance for inventories - finished goods	(1 902)	(1 812)
Total inventories - finished goods	**13 036**	**11 291**
Other inventories		
Construction materials	1 717	1 297
Other	767	700
	2 484	**1 997**
Less: Allowance for other inventories	(21)	(22)
Total other inventories	**2 463**	**1 975**
Total	**110 489**	**115 445**

Inventories under construction and development of RUB 75 840 million relate to construction projects that will be completed after more than 12 months from the reporting date (31 December 2020: RUB 77 928 million).

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to City authorities. As at 30 June 2021, the cost of such social infrastructure amounts to RUB 259 million and is included into the balance of finished goods and inventories under construction and development (31 December 2020: RUB 1 001 million). These costs are recoverable as part of projects they relate to. The cost of social infrastructure is recognised in cost of sales consistently with the transfer to the customers of the apartments to which this social infrastructure relates.

a) Barter transactions

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

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

Project 1, years ended 31 December 2013-2016

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

The following key assumptions were used by the appraiser:

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

Project 2, year ended 31 December 2015

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

The following key assumptions were used by the appraiser:

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

Project 3, year ended 31 December 2017

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

The following key assumptions were used by the appraiser:

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

Project 4, year ended 31 December 2017

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

The following key assumptions were used by the appraiser:

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

Project 5, year ended 31 December 2019

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

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

The following key assumptions were used by the appraiser:

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

Accordingly, at 30 June 2021, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013-2021 in the amount of RUB 8 474 million, while the remaining balance of RUB 344 million is included into finished goods and RUB 205 million into inventories under construction and development.

At 30 June 2021, the cost of land plots (Project 2) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the six months ended 30 June 2021 in the amount of RUB 3 857 million, while the remaining balance of RUB 9 million is included in finished goods and RUB 656 million in inventories under construction and development.

At 30 June 2021, the cost of land plots (Project 3) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the six months ended 30 June 2021 in the amount of RUB 4 186 million, while the remaining balance of RUB 35 million is included in finished goods and RUB 173 million in inventories under construction and development.

At 30 June 2021, the cost of land plots (Project 4) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the six months ended 30 June 2021 in the amount of RUB 1 787 million, while the remaining balance of RUB 13 million is included in finished goods.

At 30 June 2021, the cost of land plots (Project 5) measured as described above and related to premises sold under share participation agreements, was recognised in cost of sales during the six months ended 30 June 2021 in the amount of RUB 460 million, while the remaining balance of RUB 733 million is included in inventories under construction and development.

b) Allowance for impairment of inventories

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

mln RUB	2021	2020
Balance at 1 January	4 532	3 856
Write down to net realisable value of inventories	3 150	1 198
Reversal of write down of inventories	(1 347)	(879)
Balance at 30 June	**6 335**	**4 175**

As at 30 June 2021, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 6 335 million (31 December 2020: RUB 4 532 million) and the respective allowance was recognised in other expenses, see note 8. As at 30 June 2021, the allowance of RUB 4 574 million relates to parking places (31 December 2020: RUB 4 283 million).

As at 30 June 2021, the balance of parking places is equal to RUB 14 244 million (31 December 2020: RUB 14 519 million). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;
- Discount rate – 7,88% per annum;

- Inflation rates – 2,88 – 4,45% per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information in relation to similar parking places.

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

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

	30 June 2021		
	Change of parameter	**Impact on allowance for impairment**	**In monetary terms (mln RUB)**
Growth of discount rate	2%	7%	268
Growth of inflation rates	2%	-9%	(348)
Reduction of turnover of finished goods	1	3%	125
Reduction of revenue from uncontracted parking places	2%	2%	88

	31 December 2020		
	Change of parameter	**Impact on allowance for impairment**	**In monetary terms (mln RUB)**
Growth of discount rate	2%	5%	207
Growth of inflation rates	2%	-7%	(278)
Reduction of turnover of finished goods	1	3%	104
Reduction of revenue from uncontracted parking places	2%	2%	83

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

The Group has temporarily rented out a part of certain items of property classified as inventories – finished goods in these consolidated interim financial statements. As at 30 June 2021, the total carrying value of these items of property was RUB 330 million (31 December 2020: RUB 361 million). The Group is actively seeking buyers for these properties.

d) Pledges

As at 30 June 2021, inventories with a carrying amount of RUB 41 003 million (31 December 2020: RUB 16 505 million) are pledged as security for borrowings, see note 23.

e) Cost of acquisition of construction projects (land plots)

The following table summarises cash spent on acquisition of construction projects (land plots) and related costs incurred during the reporting period.

	Six months ended 30 June	
mln RUB	**2021**	**2020**
Cost of acquisition of rights for land plots during the period	2 012	1 568
Including fees for changing of the type of permitted use of land plots	*516*	*131*
Capitalised lease payments for land plots	567	311
Total	**2 579**	**1 879**

18 Contract assets, trade and other receivables

mln RUB	30 June 2021	31 December 2020
Long-term trade and other receivables		
Trade receivables	3 524	4 082
Less: loss allowance for expected credit losses on trade accounts receivable	(20)	(27)
Long-term trade receivables less allowance	**3 504**	**4 055**
Other receivables	82	231
Less: loss allowance for expected credit losses on other accounts receivable	(32)	(34)
Long-term other receivables less allowance	**50**	**197**
Advances paid to suppliers	-	1
Total long-term trade and other receivables	**3 554**	**4 253**
Short-term trade and other receivables		
Contract assets	12 375	7 138
Trade receivables	7 031	6 993
Less: loss allowance for expected credit losses on trade accounts receivable	(694)	(635)
Short-term trade receivables less allowance	**18 712**	**13 496**
Advances paid to suppliers	10 779	8 384
Less: loss allowance for expected credit losses on advances paid to suppliers	(216)	(247)
Short-term advances paid to suppliers less allowance	**10 563**	**8 137**
VAT recoverable	5 508	3 656
Financial asset arising from preferential rate on escrow-backed loans	938	1 053
Other taxes receivable	118	70
Other receivables due from related parties	153	187
Other receivables	1 432	1 521
	8 149	**6 487**
Less: loss allowance for expected credit losses on other accounts receivable	(1 012)	(930)
Short-term other receivables less allowance	**7 137**	**5 557**
Total short-term trade and other receivables	**36 412**	**27 190**
Total	**39 966**	**31 443**

As at 30 June 2021, contract assets of RUB 6 841 million relate to construction projects that will be completed after more than 12 months from the reporting date (31 December 2020: RUB 4 396 million).

As at 30 June 2021, non-financial assets recognised within advances paid to suppliers, VAT and other taxes receivable amounted to RUB 16 189 million (31 December 2020: RUB 11 863 million).

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

19 Short-term investments

mln RUB	30 June 2021	31 December 2020
Loans - at amortised cost	114	109
Bank deposits (over 3 months)	66	100
Bank promissory notes - at amortised cost	-	91
	180	**300**
Loss allowance for loans given	(88)	(88)
Total	**92**	**212**

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

20 Cash and cash equivalents

mln RUB	30 June 2021	31 December 2020
Cash in banks, in RUB	23 326	10 456
Cash in banks, in USD	958	163
Cash in banks, in EUR	15	18
Cash in banks, in GBP	2	2
Petty cash	1	2
Cash in transit	12	1
Short-term deposits (less than 3 months)	15 666	15 188
Total	**39 980**	**25 830**

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

At 30 June 2021, the most significant amount of cash and cash equivalents held with one bank totalled RUB 17 956 million (31 December 2020: RUB 13 707 million). At 30 June 2021, the Group had outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents of RUB 44 868 million (outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents at 31 December 2020: 28 342). The bank has a Standard & Poor's/Moody's credit rating credit rating of BBB-.

At 30 June 2021, short-term deposits bore interest rates ranging from 3,30% to 5,40% per annum (31 December 2020: 2,27% to 4,56% per annum).

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

Bank balances on escrow accounts – supplementary disclosure

mln RUB	30 June 2021	31 December 2020
Bank balances in escrow accounts	37 893	23 572

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

The table below demonstrates the movement of funds on escrow accounts during the reporting period.

mln RUB	2021	2020
Balance at 1 January	23 572	692
Receipts of funds on escrow accounts	14 321	8 150
Release of funds from escrow accounts	-	-
Balance at 30 June	**37 893**	**8 842**

21 Capital and reserves

a) Share capital

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

Number of shares unless otherwise stated	30 June 2021		31 December 2020	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Issued shares				
Par value	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
On issue at the beginning of the period	294 957 971	20 000	294 957 971	20 000
New shares issued during the period	88 487 391	-	-	-
On issue at the end of the period, fully paid	**383 445 362**	**20 000**	**294 957 971**	**20 000**

At 31 December 2020, the number of authorised and issued shares was 294 957 971. On 22 March 2021, the General Meeting of the Shareholders of the Company approved that the authorised share capital of the Company be increased by the creation of 88 487 391 ordinary shares of nominal value of GBP 0,00005 each. On 14 May 2021, the Company announced an offering of rights to subscribe for newly issued Ordinary Shares to the existing holders of the Company's equity securities. Eligible holders of GDRs subscribed for 23 339 732 new ordinary shares and 281 975 new GDRs in total. A rump offering was also completed on 14 May 2021 in which a total of 64 865 684 GDRs were purchased by investors.

All issued ordinary shares are fully paid.

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

b) Share premium

The Company's share premium account originated from issuance of 117 647 ordinary £0,01 shares for a consideration of USD 82 352 900 in March 2008, from the initial public offering of 71 428 571 ordinary shares at a value USD 7 each in form of global depository receipts (GDRs) on the London Stock Exchange on 4 April 2011 and from a supplementary public offering of 88 487 391 ordinary shares at a value USD 1,7 each in form of global depository receipts on 14 May 2021.

c) Reserve for own shares

During 2011-2017, the Company acquired 8 216 378 GDRs for own shares under GDR repurchase programmes.

During the year ended 31 December 2018, the Group transferred 8 212 432 shares to certain members of its key management personnel as part of their remuneration, see note 10. As at 30 June 2021 and 31 December 2020, the total number of own shares acquired by the Group amounted to 3 946 shares or 0,001% of issued share capital.

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

GDR buyback programme

On 24 January 2020, the Board of Directors of the Company authorised a buyback programme to purchase up to 10% of the Company's issued capital in the form of GDR until 14 April 2021. On 22 March 2020, the program was approved by the extraordinary general meeting of shareholders. The term of the programme expired on 14 April 2021 and no GDRs were purchased thereunder.

d) Dividends

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

During the six months ended 30 June 2021, the Company did not declare or pay any dividends (six months ended 30 June 2020: none).

22 Earnings per share

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

Number of shares unless otherwise stated	**2021**	**2020**
Issued shares at 1 January	294 954 025	294 954 025
Effect of shares issued in May 2021	21 021 866	-
Weighted average number of shares for the six months ended 30 June	**315 975 891**	**294 954 025**

	Six months ended 30 June	
	2021	**2020**
Profit/(loss) attributable to the owners of the Company, mln RUB	1 295	(1 772)
Basic and diluted earnings/(loss) per share (RUB)	4,10	(6,01)

23 Loans and borrowings

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

mln RUB	**30 June 2021**	**31 December 2020**
Non-current liabilities		
Secured bank loans	22 768	26 571
Secured project financing	19 633	4 995
Unsecured bank and other loans	2 352	1 375
Unsecured bond issues	5 569	1 695
	50 322	**34 636**
Current liabilities		
Current portion of secured bank loans	4 567	2 329
Current portion of unsecured bank and other loans	3 060	4 988
Current portion of unsecured bond issues	2 358	8 552
	9 985	**15 869**

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

mln RUB	Loans and borrowings	Lease liabilities	Retained earnings	Share premium	Total
Balance at 1 January 2021	50 505	1 862	35 586	15 486	103 439
Changes from financing cash flows					
Proceeds from loans and borrowing	17 855	-	-	-	17 855
Repayment of loans and borrowing	(7 361)	-	-	-	(7 361)
Payment of lease liabilities	-	(707)	-	-	(707)
Proceeds from issue of share capital	-	-	-	11 003	11 003
Total changes from financing cash flows	**10 494**	**(707)**	**-**	**11 003**	**20 790**
Other changes					
Interest expense on loans and borrowings	2 518	-	-	-	2 518
Interest expense on lease liabilities	-	123	-	-	123
Additions/terminations to lease liabilities	-	3 761	-	-	3 761
Modifications of lease contracts	-	(56)	-	-	(56)
Interest paid on loans and borrowings	(1 974)	-	-	-	(1 974)
Interest paid on lease liabilities	-	(123)	-	-	(123)
Discounting of loans	(1 236)	-	-	-	(1 236)
Total liability-related other changes	**(692)**	**3 705**	**-**	**-**	**3 013**
Total equity-related other changes	**-**	**-**	**1 295**	**-**	**1 295**
Balance at 30 June 2021	**60 307**	**4 860**	**36 881**	**26 489**	**128 537**

mln RUB	Loans and borrowings	Lease liabilities	Retained earnings	Share premium	Total
Balance at 1 January 2020	52 692	2 037	37 089	15 486	91 818
Changes from financing cash flows					
Proceeds from loans and borrowing	1 367	-	-	-	1 367
Repayment of loans and borrowing	(4 958)	-	-	-	(4 958)
Payment of lease liabilities	-	(52)	-	-	(52)
Total changes from financing cash flows	**(3 591)**	**(52)**	**-**	**-**	**(3 643)**
Other changes					
Interest expense on loans and borrowings	2 411	-	-	-	2 411
Interest expense on lease liabilities	-	86	-	-	86
Additions/terminations to lease liabilities	-	22	-	-	22
Modifications of lease contracts	-	(8)	-	-	(8)
Interest paid on loans and borrowings	(2 418)	-	-	-	(2 418)
Interest paid on lease liabilities	-	(86)	-	-	(86)
Discounting of loans	(310)	-	-	-	(310)
Total liability-related other changes	**(317)**	**14**	**-**	**-**	**(303)**
Total equity-related other changes	**-**	**-**	**(1 772)**	**-**	**(1 772)**
Balance at 30 June 2020	**48 784**	**1 999**	**35 317**	**15 486**	**101 586**

During the six months ended 30 June 2021, the Group received new credit line facilities to finance construction of residential buildings with variable interest rates adjusted based on the volume of escrow accounts balances (designated as "Project financing" in these consolidated interim financial statements). The loans' rates have two components: the base rate and the preferential rate applied to debt covered by escrow account balances. In case of excess of balances on escrow accounts over outstanding loans, the rate is capped depending on the amount of the excess.

Terms and debt repayment schedule

The table blow shows the terms and conditions of outstanding loans.

mln RUB	Currency	Nominal interest rate as of 30 June	Year of maturity	30 June 2021 Face value	30 June 2021 Carrying amount	31 December 2020 Face value	31 December 2020 Carrying amount
Secured bank loans				**48 918**	**46 969**	**35 023**	**33 896**
Secured bank loan	RUB	CBR's key rate + 3%	2027	14 638	14 532	14 642	14 522
Secured bank loan	RUB	CBR's key rate + 2,35%	2024	12 936	12 802	13 700	13 529
Secured project financing	RUB	0,01% - 9,5%	2025	4 548	3 948	3 402	2 814
Secured project financing	RUB	0,01% - 7,99%	2024	4 017	3 821	-	-
Secured project financing	RUB	0,01%-7,1%	2024	2 303	2 131	1 539	1 372
Secured project financing	RUB	0,01% - CBR's key rate + 3,05%	2025	2 131	2 100	-	-
Secured project financing	RUB	0,01-7,60%	2024	1 946	1 726	-	-
Secured project financing	RUB	0,01% - 7,15%	2024	1 747	1 687	-	-
Secured project financing	RUB	0,01% - 7,15%	2024	1 581	1 520	-	-
Secured project financing	RUB	0,01% - 7,7%	2025	1 769	1 499	-	-
Secured project financing	RUB	0,01% -7,1 %	2024	634	610	440	407
Secured project financing	RUB	0,01% - 9%	2022	668	593	445	404
Secured bank loan	RUB	CBR's key rate + 3,5%	2022	-	-	482	482
Secured bank loan	RUB	10,50%	2023	-	-	373	366
Unsecured bank and other loans				**5 411**	**5 411**	**6 371**	**6 363**
Unsecured bank loan	RUB	7,15%	2023	2 955	2 955	2 124	2 124
Unsecured bank loan	RUB	9,25%	2022	819	819	827	819
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	400	400	500	500
Unsecured bank loan	RUB	8,70%	2022	330	330	501	501
Unsecured bank loan	RUB	CBR's key rate + 1%	2021	259	259	482	482
Unsecured bank loan	RUB	8,7% - 8,9%	2021	250	250	751	751
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	200	200	250	250
Unsecured loan	RUB	9,31%	2021	134	134	-	-
Unsecured loan	RUB	0,00%	2022	64	64	-	-
Unsecured bank loan	RUB	8,75%	2021	-	-	501	501
Unsecured bank loan	RUB	4,25% - 9,7%	2021	-	-	435	435
Unsecured bond issues				**7 958**	**7 927**	**10 289**	**10 246**
Unsecured bonds	RUB	7,95%	2023	5 145	5 118	5 215	5 181
Unsecured bonds	RUB	8,95%	2022	2 813	2 809	3 919	3 911
Unsecured bonds	RUB	11,85%	2021	-	-	1 155	1 154
				62 287	**60 307**	**51 683**	**50 505**

As at 30 June 2021, the weighted average interest rate on current credit portfolio amounted to 6,73% p.a. (31 December 2020: 8,31% p.a.).

Bank loans are secured by:

- inventories with a carrying amount of RUB 41 003 million (31 December 2020: RUB 16 505 million), see note 17;
- pledge of bank promissory note of RUB 3 million (31 December 2020: RUB 3 million), note 15;
- pledge of 68% of shares in subsidiary company JSC “Zatonskoe” which represents RUB 3 940 million in its net assets* (31 December 2020: 48% of shares represents RUB 2 866 million in net assets);
- As at 31 December 2020: pledge of 100% of shares in subsidiary company LLC “Specialized Developer “LS-Rielty” which represents RUB 4 151 million in its net assets*, as at 30 June 2021 – no pledge;
- pledge of 100% shares of JSC “Leader-Invest” and 100% of other subsidiary companies of JSC “Leader-Invest” which collectively represent RUB 43 090 million in net assets* (31 December 2020: RUB 43 927 million in net assets);
- pledge of 100% shares of JSC “Etalon LenSpetsSMU”, LLC “SZ Etalon Pushkin”, LLC “Zolotaya Zvezda”, JSC “SZ Komplekt”, LLC “EtalonStroy” which collectively represent RUB 50 799 million in net assets* (31 December 2020: RUB 45 994 million in net assets);
- pledge of 99,9942% shares of LLC “Specialized Developer “Serebryaniy Fontan” which represents RUB 3 690 million in its net assets (31 December 2020: RUB 3 487 million in net assets).

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

As at 30 June 2021, the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments amount to RUB 84 903 million (31 December 2020: RUB 67 365 million).

The bank loans are subject to certain restrictive covenants. Financial covenants are based on the individual financial statements of certain entities of the Group, as well as on the consolidated financial statements of the Group. Operating covenants prescribe certain legal actions to be executed by the Group or the level of operations to be maintained with a bank.

Except as described further, there has been no breach of any of the financial covenants during the reporting period. However, at the end of the reporting period, the Group breached operating covenants on several loans. The Group obtained waivers from the banks, and the obligations were not transferred to current liabilities.

24 Provisions

mln RUB	Warranty provision	Provision for deferred works	Provision for onerous contracts	Provision for litigations and claims	Total
Balance at 1 January 2020	116	507	48	134	805
Provisions made during the period	95	612	-	79	786
Provisions used during the period	(28)	(562)	-	(50)	(640)
Provision reversed during the period	-	(49)	(20)	(77)	(146)
Balance at 30 June 2020	**183**	**508**	**28**	**86**	**805**
Balance at 1 January 2021	129	369	25	4	527
Provisions made during the period	-	662	-	586	1 248
Provisions used during the period	(16)	(729)	-	(3)	(748)
Provision reversed during the period	(2)	(43)	(6)		(51)
Balance at 30 June 2021	**111**	**259**	**19**	**587**	**976**
Non-current	111	-	-	-	111
Current	-	259	19	587	865
	111	**259**	**19**	**587**	**976**

a) Warranties

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

b) Provision for deferred works

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

c) Provision for litigations and claims

The Group records provision for litigations and claims when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. During the six months ended 30 June 2021, the provision of RUB 447 million relates to a claim by the external general contractor for one of the Group's completed construction projects in the Moscow metropolitan area.

25 Contract liabilities, trade and other payables

mln RUB	30 June 2021	31 December 2020
Long-term		
Trade payables	23 001	25 695
Lease liabilities	3 733	998
Other payables	1 310	41
	28 044	**26 734**
Short-term		
Contract liabilities	22 085	28 351
Trade payables	4 872	6 396
VAT payable	4 298	3 466
Payroll liabilities	556	928
Other taxes payable	310	302
Lease liabilities	1 128	864
Other payables	9 539	9 260
	42 788	**49 567**
Total	**70 832**	**76 301**

Long-term trade payables mainly consist of an obligation equal to RUB 22 406 million (31 December 2020: RUB 25 245 million) for acquisition of 88% of share capital of LLC “Specialized Developer “ZIL-YUG” (an entity owning the land plot in the Moscow metropolitan area), payable in 2022-2024. In addition, the current part of the obligation of RUB 2 038 million (31 December 2020: RUB 2 265 million) is included into short-term trade payables. The carrying amounts of these payable were calculated by discounting the consideration of RUB 32 200 million payable in 2021-2024 described in the note 29 (b) to reflect the time value of money.

Short-term other payables mainly consist of an obligation equal to RUB 6 341 million (31 December 2020: RUB 6 847 million) to construct social infrastructure objects and a liability of RUB 989 million (31 December 2020: RUB 1 928 million) to the City authorities for change of intended use of land plot recognised as part of inventories.

Contract liabilities include advances from customers of RUB 1 485 million which will be satisfied after more than 12 months from the reporting date (31 December 2020: RUB 1 777 million). They are classified within short-term liabilities as the development cycle of construction projects exceeds one year.

As at 30 June 2021, non-financial liabilities recognised within contract liabilities, VAT and other taxes payable amounted to RUB 26 693 million (31 December 2020: RUB 32 119 million).

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

26 Financial instruments and risk management

a) Accounting classifications and fair values

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

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

- *Level 1 inputs*

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

- *Level 2 inputs*

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

- *Level 3 inputs*

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

mln RUB	Carrying amount		Fair value		
30 June 2021	**At amortised cost**	**Total**	**Level 1**	**Level 2**	**Total**
Financial assets not measured at fair value					
Trade receivables	9 842	**9 842**	-	9 694	**9 694**
Other receivables (excluding taxes receivable and advances paid to suppliers)	623	**623**	-	607	**607**
Loans given	271	**271**	-	237	**237**
Bank deposits (over 3 months)	66	**66**	-	66	**66**
Bank promissory notes	3	**3**	-	2	**2**
Cash and cash equivalents	39 980	**39 980**	39 980	-	**39 980**
	50 785	**50 785**	**39 980**	**10 606**	**50 586**
Financial liabilities not measured at fair value					
Secured bank loans	(27 334)	**(27 334)**	-	(28 352)	**(28 352)**
Secured project financing	(19 633)	**(19 633)**		(18 457)	**(18 457)**
Unsecured bank loans	(5 412)	**(5 412)**	-	(5 135)	**(5 135)**
Unsecured bond issues	(7 927)	**(7 927)**	(7 782)	-	**(7 782)**
Trade and other payables	(44 137)	**(44 137)**	-	(39 698)	**(39 698)**
	(104 443)	**(104 443)**	**(7 782)**	**(91 642)**	**(99 424)**

mln RUB	**Carrying amount**		**Fair value**		
31 December 2020	**At amortised cost**	**Total**	**Level 1**	**Level 2**	**Total**
Financial assets not measured at fair value					
Trade receivables	11 845	**11 845**	-	11 591	**11 591**
Other receivables (excluding taxes receivable and advances paid to suppliers)	2 030	**2 030**	-	1 991	**1 991**
Loans given	319	**319**	-	264	**264**
Bank deposits (over 3 months)	100	**100**	-	100	**100**
Bank promissory notes	94	**94**	-	93	**93**
Cash and cash equivalents	25 830	**25 830**	25 830	-	**25 830**
	40 218	**40 218**	**25 830**	**14 039**	**39 869**
Financial liabilities not measured at fair value					
Secured bank loans	(28 899)	**(28 899)**	-	(30 438)	**(30 438)**
Secured project financing	(4 997)	**(4 997)**		(4 592)	**(4 592)**
Unsecured bank loans	(6 363)	**(6 363)**	-	(6 526)	**(6 526)**
Unsecured bond issues	(10 246)	**(10 246)**	(10 147)	-	**(10 147)**
Trade and other payables	(44 175)	**(44 175)**	-	(37 179)	**(37 179)**
	(94 680)	**(94 680)**	**(10 147)**	**(78 735)**	**(88 882)**

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

	Discounting factor	**30 June 2021**	**31 December 2020**
Receivables (excluding taxes receivable and advances paid to suppliers)	Weighted average rate on mortgages issued during the year	7,01%	7,36%
Loans given	Weighted average interest rates on loans to non-financial organizations	7,39%	6,88%
Unsecured loans and bond issued, and trade and other payables		7,39%	6,88%
Bank promissory notes	Weighted average interest rate on deposits of non-financial organizations	4,87%	4,30%

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

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

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

Risk management framework

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

b) Credit risk

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

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

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

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 30 June 2021, receivables from one customer equalled to RUB 475 million or 3% of the Group`s consolidated trade and other receivables (31 December 2020: RUB 284 million or 2%).

(ii) Exposure to credit risk

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

	Carrying amount	
mln RUB	**30 June 2021**	**31 December 2020**
Loans given	272	318
Receivables (excluding taxes receivable and advances paid to suppliers)*, including contract assets	13 357	10 309
Bank promissory notes	3	94
Bank deposits (over 3 months)	66	100
Cash and cash equivalents	39 980	25 830
	53 678	**36 651**

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

The amount of trade and other receivables including contract assets represents the maximum exposure to credit risk without taking account of trade receivables covered by collateral.

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

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

Maturity analysis and impairment

The ageing of trade receivables and contract assets at the reporting date was as follows. Contract assets are not past due and not impaired.

mln RUB	Gross	Impairment	Gross	Impairment
	30 June 2021		31 December 2020	
Not past due	20 167	(2)	14 788	(7)
Past due 0-30 days	221	-	318	-
Past due 31-90 days	419	(1)	395	-
Past due 91-120 days	62	-	198	-
Past due more than 120 days	2 061	(711)	2 514	(655)
	22 930	**(714)**	**18 213**	**(662)**

The ageing of loans given at the reporting date was:

mln RUB	Gross	Impairment	Gross	Impairment
	30 June 2021		31 December 2020	
Not past due	284	(12)	342	(24)
Past due 0-30 days	-	-	-	-
Past due more than 120 days	88	(88)	88	(88)
	372	**(100)**	**430**	**(112)**

<u>Allowance for impairment in respect of trade receivables</u>

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

mln RUB	2021	2020
Balance at 1 January	662	747
Amounts written off	(29)	(23)
Net remeasurement of loss allowance	81	14
Balance at 30 June	**714**	**738**

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

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

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

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

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

During the reporting period, there were no changes in the quality of the collateral. There were no changes in the collateral policies of the Group during the six months ended 30 June 2021.

Allowance for impairment in respect of other receivables

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

mln RUB	**2021**	**2020**
Balance at 1 January	964	763
Amounts written off	(6)	(28)
Net remeasurement of loss allowance	86	66
Balance at 30 June	**1 044**	**801**

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

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

mln RUB	**2021**	**2020**
Balance at 1 January	112	143
Net remeasurement of loss allowance	(12)	(3)
Balance at 30 June	**100**	**140**

As at 30 June 2021 and 31 December 2020, the credit risk on financial investments has not increased significantly since initial recognition, and the Group measures the loss allowance for those financial instruments at an amount equal to 12-month expected credit losses.

Allowance for impairment of cash and cash equivalents

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

Allowance for impairment in respect of advances paid to suppliers

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

mln RUB	**2021**	**2020**
Balance at 1 January	247	238
Amounts written off	(11)	(19)
(Decrese)/increase during the year	(20)	49
Balance at 30 June	**216**	**268**

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

c) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts. However, repayment of secured project financing may occur prior to their contractual maturities – as soon as construction projects are completed and funds from escrow accounts are released.

Contractual maturities of financial liabilities were as follows:

30 June 2021

mln RUB	**Carrying amount**	**Contractual cash flows**	**0 - 12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities								
Loans and borrowings	60 306	71 978	14 128	17 286	20 366	13 733	3 371	3 094
Trade and other payables (excluding taxes payable and contract liabilities)	39 276	39 277	10 330	7 381	18 376	1 526	1 664	-
Lease liabilities	4 861	7 035	1 353	1 260	2 097	1 222	899	204
	104 443	**118 290**	**25 811**	**25 927**	**40 839**	**16 481**	**5 934**	**3 298**

31 December 2020

mln RUB	**Carrying amount**	**Contractual cash flows**	**0 - 12 mths**	**1-2 yrs**	**2-3 yrs**	**3-4 yrs**	**4-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities								
Loans and borrowings	50 505	60 507	18 994	11 779	9 984	11 395	4 358	3 997
Trade and other payables (excluding taxes payable and contract liabilities)	42 313	42 315	11 810	1 881	9 836	18 569	217	2
Lease liabilities	1 862	1 460	593	366	183	25	26	267
	94 680	**104 282**	**31 397**	**14 026**	**20 003**	**29 989**	**4 601**	**4 266**

d) Market risk

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

(i) Currency risk

The Group's exposure to foreign currency risk is limited. As at 30 June 2021 and 31 December 2020 the Group's net positions in foreign currency were as follows:

	30 June 2021			31 December 2020		
mln RUB	**USD**	**GBP**	**EUR**	**USD**	**GBP**	**EUR**
Cash and cash equivalents (see note 20)	958	2	15	163	2	18
Net exposure	**958**	**2**	**15**	**163**	**2**	**18**

The following significant exchange rates applied during the reporting period:

in RUB	**Average rate**		**Reporting date spot rate**	
	Six months ended 30 June 2021	**Six months ended 30 June 2020**	**30 June 2021**	**31 December 2020**
USD 1	74,33	69,34	72,37	73,88
EUR 1	89,51	76,36	86,20	90,68

(ii) Interest rate risk

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

Profile

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

mln RUB	**Carrying amount**	
	30 June 2021	**31 December 2020**
Fixed rate instruments		
Financial assets	19 543	19 806
Financial liabilities	(34 875)	(22 602)
	(15 332)	**(2 796)**
Variable rate instruments		
Financial liabilities	(30 293)	(29 765)
	(30 293)	**(29 765)**

Cash flow sensitivity analysis for variable rate instruments

mln RUB	Profit or loss		Equity	
	200 bp increase	100 bp decrease	200 bp increase	100 bp decrease
30 June 2021				
Variable rate instruments	(606)	303	(606)	303
Cash flow sensitivity (net)	(606)	303	(606)	303
31 December 2020				
Variable rate instruments	(595)	298	(595)	298
Cash flow sensitivity (net)	(595)	298	(595)	298

Fair value sensitivity analysis for fixed rate instruments

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

e) Capital management

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

The capital structure of the Group consists of net debt (total loans and borrowings offset by cash and bank balances and bank deposits over 3 months) and equity of the Group (comprising issued capital and retained earnings as detailed in note 21). Certain subsidiaries of the Group may be subject to externally imposed capital requirements in accordance with Russian law.

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

mln RUB	30 June 2021	31 December 2020
Loans and borrowings, note 23	60 307	50 505
Less: cash and cash equivalents, note 20	(39 980)	(25 830)
Less: bank deposits over 3 months, note 19	(66)	(100)
Net debt	20 261	24 575
Total equity	63 371	51 073
Debt to capital ratio at end of period	0,32	0,48

At 30 June 2021, lease liabilities of RUB 4 861 million (31 December 2020: RUB 1 888 million) are included in trade and other payables (see notes 25 and 27) and are not included in the total amount of borrowings.

27 Leases

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

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

mln RUB	Inventories under construction	Property, plant and equipment	Total
Right-of-use assets			
Balance at 1 January 2021	2 395	312	2 707
Additions to right-of-use assets	3 706	55	3 761
Modifications of lease contracts	(36)	(18)	(54)
Depreciation charge	(140)	(43)	(183)
Balance at 30 June 2021	**5 925**	**306**	**6 231**
Lease liabilities			
Balance at 1 January 2021	1 587	276	1 863
Settlement of lease liabilities, including interest	(761)	(69)	(830)
Interest expense on lease liabilities	112	11	123
Additions to lease liabilities	3 706	55	3 761
Modifications of lease contracts	(36)	(20)	(56)
Balance at 30 June 2021	**4 608**	**253**	**4 861**

mln RUB	Inventories under construction	Property, plant and equipment	Total
Right-of-use assets			
Balance at 1 January 2020	2 080	400	2 480
Additions to right-of-use assets	-	51	51
Modifications of lease contracts	(8)	-	(8)
Depreciation charge	(38)	(60)	(98)
Balance at 30 June 2020	**2 034**	**391**	**2 425**
Lease liabilities			
Balance at 1 January 2020	1 636	401	2 037
Settlement of lease liabilities, including interest	(58)	(80)	(138)
Interest expense on lease liabilities	68	18	86
Additions to lease liabilities	-	51	51
Modifications of lease contracts	(8)	-	(8)
Termination of lease contracts	(29)	-	(29)
Balance at 30 June 2020	**1 609**	**390**	**1 999**

Future cash outflows to which the Group is exposed that are not reflected in the measurement of lease liabilities arising from variable lease payments amount to RUB 1 294 million (31 December 2020: RUB 812 million).

28 Capital commitments

As at 30 June 2021, the Group had no capital commitments (31 December 2020: nil).

29 Contingencies

a) Insurance

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

b) Litigation

During the six months ended 30 June 2021 and 2020, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

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

30 Related party transactions

a) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the six months ended 30 June 2021, which is included in personnel costs (see note 9):

	Six months ended 30 June	
mln RUB	**2021**	**2020**
Short-term employee benefits - salaries and bonuses	168	92
	168	**92**

During the six months ended 30 June 2021 and 2020, the Group did not grant any loans and pensions to its key management personnel.

b) Transactions with other related parties

The Group's transactions with other related parties are disclosed below.

(i) Revenue

mln RUB	Transaction value Six months ended 30 June 2021	2020	Outstanding balance 30 June 2021	31 December 2020
Other related parties	277	56	44	218
	277	**56**	**44**	**218**

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

(ii) Expenses

mln RUB	Transaction value Six months ended 30 June 2021	2020	Outstanding balance 30 June 2021	31 December 2020
Other related parties	(65)	(140)	(244)	(116)
	(65)	**(140)**	**(244)**	**(116)**

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

(iii) Loans

mln RUB	Amount loaned / received Six months ended 30 June 2021	2020	Outstanding balance 30 June 2021	31 December 2020
Loans given	-	(4)	2	2
Loans received	(4 732)	(990)	(5 464)	(5 145)
	(4 732)	**(994)**	**(5 462)**	**(5 143)**

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

(iv) Other transactions

	Transaction value		Outstanding balance	
	Six months ended 30 June			
mln RUB	**2021**	**2020**	**30 June 2021**	**31 December 2020**
Cash and cash equivalents in banks-related parties	15 315	3 461	526	276
Proceeds from investments in associates	18	57	-	-
Interest on deposits	18	16	-	-
Interest payable	(218)	(204)	(34)	(6)
	15 133	**3 330**	**492**	**270**

31 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	30 June 2021	31 December 2020
"Etalon Group company" AO	Russian Federation	100,00%	100,00%
LLC "EtalonAktiv"	Russian Federation	100,00%	100,00%
JSC "Etalon LenSpetsSMU"	Russian Federation	100,00%	100,00%
JSC "Novator"	Russian Federation	100,00%	100,00%
JSC "LenSpetsSMU-Reconstruktsiya"	Russian Federation	100,00%	100,00%
LLC "Etalon-Invest"	Russian Federation	100,00%	100,00%
JSC "Zatonskoe"	Russian Federation	100,00%	100,00%
LLC "SPM-Zhilstroy"	Russian Federation	100,00%	100,00%
LLC "Specialized Developer "Serebryaniy Fontan"	Russian Federation	99,97%	99,97%
LLC "Specialized Developer "Etalon Galaktika"	Russian Federation	100,00%	100,00%
LLC "Specialized Developer "Etalon Development"	Russian Federation	100,00%	100,00%
JSC "Leader-Invest"	Russian Federation	100,00%	100,00%
LLC "Razvitiye"	Russian Federation	100,00%	100,00%
LLC "Specialized Developer "ZIL-YUG"	Russian Federation	100,00%	100,00%
LLC "Specialized Developer "MBI"	Russian Federation	100,00%	100,00%
JSC "Lobachevskogo 120"	Russian Federation	100,00%	100,00%

As at 30 June 2021, the Group controlled 116 legal entities (31 December 2020: 119). Their assets, liabilities, revenues and expenses have been included in these consolidated interim financial statements. The above is a list of the most significant subsidiaries.

32 Events subsequent to the reporting date

Operating events

Commitment for acquisition of a land plot

Subsequent to the reporting date, the Group has concluded a contract for acquisition of a land plot located in the St. Petersburg metropolitan area for the consideration of RUB 4 070 million payable in 2021-2022.

Acquisition of investment in associate

Subsequent to the reporting date, the Group has acquired 35% of share capital of QB Technology Ltd - an innovative UK-based high-tech modular construction company that provides a full range of services for the design, installation and finishing of residential and commercial modular buildings, for the consideration of RUB 419 million. The acquisition will give the Group an access to the technology and make it possible to adapt it for use in the Russian market.

The Group has an option to further increase its ownership share in QB Technology Ltd.

Financing events

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 30 June 2021 for the total amount of RUB 1 384 million and unsecured bonds for the total amount of RUB 550 million.

Subsequent to the reporting date, the Group has obtained additional tranches of loans for the total amount of RUB 7 896 million with nominal interest rates of 0,01%-9,5% and repayable by 2025.

Subsequent to the reporting date, JSC «Leader-Invest» placed unsecured bonds for the total amount of RUB 10 billion with nominal interest rate of 9,10% per annum and repayable by 2026.

Supplementary information

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

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

Adjusted net debt/Adjusted EBITDA ratio

mln RUB	**30 June 2021**	**31 December 2020**
Loans and borrowings	60 307	50 505
Less: cash and cash equivalents	(39 980)	(25 830)
Less: bank deposits over 3 months, note 19	(66)	(100)
Add: contract liabilities, reportable segment Residential development	18 230	25 530
Less: Inventories under construction, note 17	(94 990)	(102 179)
Adjusted net debt	**(56 499)**	**(52 074)**

	Twelve months ended	
	30 June 2021	**30 June 2020**
Gross profit	28 195	18 476
Less: General and administrative expenses	(5 369)	(6 518)
Less: Selling expenses	(4 486)	(4 504)
Adjusted operating profit	18 340	7 454
Add: Depreciation and amortisation	329	657
EBITDA (LTM)	**18 669**	**8 111**
Add: Purchase price allocation from acquisition of Leader-Invest included in cost of sales	3 990	2 760
Adjusted EBITDA (LTM)	**22 659**	**10 871**
Adjusted net debt/Adjusted EBITDA (LTM)	**(2,49)**	**(2,39)**

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

Adjusted EBITDA represents gross profit for the last twelve months period (LTM) adjusted by general and administrative expenses, selling expenses, depreciation and amortisation and effect of purchase price allocation from the acquisition of a subsidiary.

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

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

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

Net corporate debt/Adjusted EBITDA

Net corporate debt represents net debt as defined in the note 26 (e) adjusted for the amount of project financing (borrowings backed by balances on escrow accounts).

mln RUB	30 June 2021	31 December 2020
Loans and borrowings	60 307	50 505
Less: secured project financing	(19 633)	(4 995)
Total corporate borrowings	40 674	45 510
Less: cash and cash equivalents	(39 980)	(25 830)
Less: bank deposits over 3 months, notes 15 and 19	(66)	(100)
Net corporate debt	**628**	**19 580**
Net corporate debt/Adjusted EBITDA	**0,03**	**1,80**

The movement of the purchase price allocation (PPA) from the acquisition of Leader-Invest, recognised within Property, plant and equipment, Investment property, Inventories

PPA is a significant non-operational factor that significantly affects the Group's financial results and will continue to do so in the next few years. The disclosure increases the transparency of the reporting and enables financial statements' users to correctly assess the effect of PPA on the financial results.

mln RUB	2021	2020
Balance at 1 January	20 896	25 695
Included in Cost of sales	(1 522)	(1 413)
Balance at 30 June	**19 374**	**24 282**