Independent auditor’s report
on the consolidated financial statements of
INTEKO JSC
and its subsidiaries
for the year ended 31 December 2020

April 2021

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Translation of the original Russian version

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Independent auditor’s report

Translation of the original Russian version

To the Shareholder and the Board of Directors of
INTEKO JSC

Opinion

We have audited the consolidated financial statements of INTEKO JSC and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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

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

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

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

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

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

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

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

financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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► Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

I.V. MOSKALENKO
Partner
Ernst & Young LLC

30 April 2021

Details of the audited entity

Name: INTEKO JSC
Record made in the State Register of Legal Entities on 13 September 2002, State Registration Number 1027739188047.
Address: Russia 107078, Moscow, Sadovaya-Spasskaya street, 28.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.

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Ernst & Young LLC is a member of Self-regulated Organization of Auditors Association "Sodruzhestvo" ("SRO AAS"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Consolidated statement of financial position

RUB million	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Investment property	15	366	1,641
Property, plant and equipment	14	2,066	2,540
Land plots for construction	16	1,307	3,065
Loans issued	18	3,755	6
Accounts receivable	19	1,656	–
Deferred tax assets	13	1,877	1,707
Other non-current assets	21	78	133
Total non-current assets		**11,105**	**9,092**
Current assets			
Real estate for sale and under construction	17	31,140	33,965
Assets under contracts with customers	7b	7,923	763
Accounts receivable	19	535	1,389
Taxes recoverable		1,575	1,919
Loans issued	18	640	2,161
Cash and cash equivalents	20	3,865	2,940
Other non-financial assets	21	1,633	708
Total current assets		**47,311**	**43,845**
Total assets		**58,416**	**52,937**

The consolidated statement of financial position is to be read in conjunction with Notes on pages 11-62 which form an integral part of these consolidated financial statements.

Consolidated statement of financial position

RUB million	Note	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
Long-term liabilities			
Loans and borrowings	23	28,556	5,571
Accounts payable	25	627	31
Deferred tax liabilities	13	2,948	895
Total long-term liabilities		**32,131**	**6,497**
Short-term liabilities			
Loans and borrowings	23	2,023	22,030
Liabilities under contracts with customers	7b	19,744	27,241
Accounts payable	25	4,066	4,474
Taxes payable		255	268
Provisions	24	113	442
Total short-term liabilities		**26,201**	**54,455**
Total liabilities		**58,332**	**60,952**
Equity			
Share capital	22	1,501	1,501
Accumulated loss		(25,050)	(29,686)
Additional capital		23,633	20,155
Total equity attributable to		**84**	**(8,030)**
Non-controlling interests		–	15
Total equity		**84**	**(8,015)**
Total equity and liabilities		**58,416**	**52,937**

These consolidated financial statements were approved by management of the Group on 30 April 2021 and signed by:

S.V. Dronina
Vice president,
head of the finance function

The consolidated statement of financial position is to be read in conjunction with Notes on pages 11-62 which form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

RUB million	Note	2020	2019 restated*
Continuing operations			
Revenue	7	26,882	30,685
Cost		(15,074)	(21,232)
Gross profit		**11,808**	**9,453**
Gain/(loss) from changes in fair value of investment property	15	22	(44)
Selling expenses	8	(789)	(528)
General and administrative expenses	9	(2,131)	(1,967)
Reversal/(charge) of impairment of accounts receivable		35	(113)
Other income	11	487	4,240
Other expenses	11	(281)	(158)
Total operating profit for the year		**9,151**	**10,883**
Finance income	12	522	124
Finance expenses	12	(3,830)	(4,784)
Net finance expenses		**(3,308)**	**(4,660)**
Profit before tax		**5,843**	**6,223**
Income tax	13	(1,264)	(58)
Total net profit for the year from continuing operations		**4,579**	**6,165**
Discontinued operations			
Profit after tax for the period from discontinued operations	6a	57	3,699
Total net profit for the year		**4,636**	**9,864**
Attributable to:			
Owners of the Company		4,636	9,864
Non-controlling interests		–	–
Other comprehensive loss after income tax from continuing operations			
Expenses which may not be subsequently classified to profit or loss:			
Revaluation of property, plant and equipment, net of income tax		(138)	(79)
Total comprehensive income for the year from continuing operations		**4,441**	**6,086**
Other comprehensive loss after income tax from discontinued operations			
Expenses which may not be subsequently classified to profit or loss:			
Revaluation of property, plant and equipment, net of income tax		–	(475)
Total comprehensive income for the year		**4,498**	**9,310**
Attributable to:			
Owners of the Company		4,498	9,310
Non-controlling interests		–	–

* Certain amounts do not correspond to the 2019 consolidated financial statements and reflect adjustments made due to separation of discontinued operations as detailed in Note 6a.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the Notes on pages 11-62 which form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to shareholders of the parent						
			Other reserves				
RUB million	**Share capital**	**Retained earnings**	**Additional capital**	**Revaluation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2019	**1,501**	**(39,550)**	**11,785**	**1,256**	**(25,008)**	**15**	**(24,993)**
Net loss for the year	–	9,864	–	–	**9,864**	–	**9,864**
Loss from revaluation of property, plant and equipment	–	–	–	(693)	**(693)**	–	**(693)**
Income tax on revaluation of property, plant and equipment	–	–	–	139	**139**	–	**139**
Total comprehensive income/(loss) for the year	**–**	**9,864**	**–**	**(554)**	**9,310**	**–**	**9,310**
Disposal of a subsidiary (Note 6b)	–	–	7,668	–	**7,668**	–	**7,668**
Total transactions with owners of the Group	**–**	**–**	**7,668**	**–**	**7,668**	**–**	**7,668**
Balance at 31 December 2019	**1,501**	**(29,686)**	**19,453**	**702**	**(8,030)**	**15**	**(8,015)**
Balance at 1 January 2020	**1,501**	**(29,686)**	**19,453**	**702**	**(8,030)**	**15**	**(8,015)**
Net profit for the year	–	4,636	–	–	**4,636**	–	**4,636**
Loss from revaluation of property, plant and equipment	–	–	–	(172)	**(172)**	–	**(172)**
Income tax on revaluation of property, plant and equipment	–	–	–	34	**34**	–	**34**
Total comprehensive income for the year	**–**	**4,636**	**–**	**(138)**	**4,498**	**–**	**4,498**
Transactions with owners of the Group							
Recognition of discount on loans	–	–	238	–	**238**	–	**238**
Disposal of subsidiaries (Note 6a)	–	–	3,706	(328)	**3,378**	(15)	**3,363**
Total transactions with owners of the Group	**–**	**–**	**3,944**	**(328)**	**3,616**	**(15)**	**3,601**
Balance at 31 December 2020	**1,501**	**(25,050)**	**23,397**	**236**	**84**	**–**	**84**

The consolidated statement of changes in equity is to be read in conjunction with Notes on pages 11-62 which form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

RUB million	Note	2020	2019
Cash flows from operating activities			
Cash from operating activities			
Proceeds from sale of real estate		13,825	15,305
Other proceeds		1,219	2,109
		15,044	**17,414**
Cash used in operating activities			
Payments to suppliers (contractors) for raw and other materials, work, services		(22,302)	(12,490)
Payments related to general employee compensation		(2,594)	(2,879)
Payments of selling expenses		(853)	(773)
Payments of general and administrative expenses		(711)	(1,663)
VAT paid to budget		(597)	(949)
Other payments		(231)	(622)
		(27,288)	**(19,376)**
Cash flows from operating activities		**(12,244)**	**(1,962)**
Interest paid		(990)	(2,106)
Income tax payments		(96)	(671)
Net cash flows used in operating activities		**(13,330)**	**(4,739)**
Cash flows from investing activities			
Loans issued		(2)	(2,140)
Investments in property, plant and equipment		(155)	(48)
Net cash outflow from disposal of subsidiaries	6a	(1,985)	(1)
Payments on other investing activities		(3)	–
Cash used in investing activities		**(2,145)**	**(2,189)**
Repayment of loans issued		2,135	2,500
Interest received		91	1,388
Proceeds from other investing activities		277	469
Cash from investing activities		**2,503**	**4,357**
Net cash flows from investing activities		**358**	**2,168**
Cash flows from financing activities			
Repayment of loans and borrowings	23	(10,273)	(10,601)
Cash used in financing activities		**(10,273)**	**(10,601)**
Proceeds from loans and borrowings	23	24,170	13,916
Cash from financing activities		**24,170**	**13,916**
Net cash flows from financing activities		**13,897**	**3,315**
Net increase in cash and cash equivalents	20	925	744
Cash and cash equivalents at the beginning of the year	20	**2,940**	**2,196**
Cash and cash equivalents at the end of the year	20	**3,865**	**2,940**

The consolidated statement of cash flows is to be read in conjunction with Notes on pages 11-62 which form an integral part of these consolidated financial statements.

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1 General information

(a) Organization and operations

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

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

The principal activities of the Group are construction of residential premises and subdistricts, sale of property items, provision of construction services, production of construction materials, including reinforced concrete housing panels primarily for the Group’s projects. In 2020 and 2019, the Group was operating mainly in Moscow, Rostov-on-Don and St. Petersburg.

As at 31 December 2020, 100% shares of INTECO JSC was owned by National Bank TRUST Public Joint Stock Company (105066, Moscow, ul. Spartakovskaya, 5, bld. 1), 99.999999999% shares of which were owned by the Central Bank of the Russian Federation (107016, Moscow, ul. Neglinnaya, 12).

As at 31 December 2019, 100% shares of INTECO JSC were owned by AUREVO LIMITED registered in accordance with the law of the Republic of Cyprus on 28 June 2010 under registration number 269554 at Nikosia, Cyprus, 1105, Agios Antreas, Eleftheriou Venizelou, 4, room 8. As at 31 December 2019, AUREVO LIMITED was controlled by National Bank TRUST Public Joint Stock Company.

(b) Business environment

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

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

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

The Group operates in the residential and non-residential real estate construction sector which was not significantly affected by the spread of the coronavirus infection due to, inter alia, the adoption of measures to subsidize consumer mortgage lending rates by the Russian Government. In 2020, the Group’s sales volumes remained the same. The Group analyzed the effect of COVID-19 on its financial position, the liquidity level and access to debt financing as of the reporting date and determined that the above factors have no significant impact on the Group’s financial stability.

When determining the effect of COVID-19, the Group’s management considered that INTECO Joint Stock Company had been included in the list of systemic companies of the Russian Federation.

In order to ensure normal operating activities, the Group's management implemented several measures, including the following:

- For the duration of the self-isolation period, significant part of administrative, sale and purchase staff were switched to remote working;
- Employees directly engaged in construction took training to comply with strict working safeguards, including social distancing.

The Group analyzed various scenarios of the potential impact on the current operating environment, cash flows and liquidity. Management believes that the above risks do not have any significant impact on the Group's performance at the moment.

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

2 Basis of preparation

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

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

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

Going concern

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

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

- As at 31 December 2020, the Group can raise additional financing under the existing credit agreements in the amount of RUB 39,743 million (see Note 23);
- As described in Note 30 *Subsequent events*, in 2021, the Group concluded agreements to raise additional credit financing for the total amount of RUB 8,910 million;
- In 2020, in the course of business activities, the Group raised cash to escrow accounts in the amount of RUB 15,907 million (see Note 20).

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

3 Functional and presentation currency

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

4 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

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

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

- Note 7 Revenue;
- Note 13 Income tax;
- Note 15 Investment property;
- Note 19 Accounts receivable;
- Note 24 Provisions;
- Note 27 Contingencies.

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

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

5 Fair value measurement

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

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

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

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

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

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

Property, plant and equipment

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

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

Investment property

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

6 Disposal of subsidiaries

(a) Reorganization of the Group in 2020

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

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

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

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

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

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

Net cash flows from discontinued operations:

RUB million	2020	2019
Operating activities	(3,052)	(1,244)
Financing activities	917	1,151
Investing activities	2,152	1,646
Net cash inflow	**17**	**1,553**

St. Petersburg and Leningrad Region segment and Rostov-on-Don segment were classified as discontinued operations, results of which for the years 2019 and 2020 are presented below:

RUB million	2020	2019
Revenue	5,479	6,718
Cost	(4,145)	(4,991)
Gross profit	**1,334**	**1,727**
Change in the fair value of investment property	–	4
Selling expenses	(105)	(237)
General and administrative expenses	(349)	(588)
Loss from impairment of accounts receivable	–	(12)
Other income	110	65
Other expenses	(187)	(671)
Operating profit	**803**	**288**
Finance income	7	3,780
Finance expenses	(519)	(670)
Net finance expenses	**(512)**	**3,110**
Profit before tax	**291**	**3,398**
Income tax (expense)/benefit	(234)	301
Total net profit from discontinued operations	**57**	**3,699**
Attributable to:		
Owners of the Company	57	3,699
Non-controlling interests	–	–
Other comprehensive loss after income tax from discontinued operations		
Expenses which may not be subsequently reclassified to profit or loss:		
Revaluation of property, plant and equipment, net of income tax	–	(475)
Total comprehensive income from discontinued operations	**57**	**3,224**
Owners of the Company	57	3,224
Non-controlling interests	–	–

(b) Disposal of SK Strategy LLC in 2019

In May 2019, the Group lost control over one of its subsidiaries. At the request of a third party, the Moscow Arbitration Court decided to declare SK Strategy LLC insolvent (bankrupt), initiate bankruptcy proceedings and approve the liquidator. As a result of the bankruptcy, loans received earlier from National Bank TRUST Public Joint Stock Company, a direct interim shareholder, were derecognized in the amount of RUB 11,692 million, as well as accounts receivable and loans issued by the group entities for RUB 4,024 million, net. The result of derecognition of the above assets and liabilities is recorded as an increase in the Group's additional capital.

The effect of disposal of this subsidiary is presented in the table below:

RUB million	2019
Property, plant and equipment	38
Loans issued	1,226
Real estate for sale and under construction	164
Accounts receivable	5,828
Taxes recoverable	450
Cash and cash equivalents	1
Other non-financial assets	134
Loans and borrowings	(13,472)
Deferred tax liabilities	(11)
Accounts payable	(4,645)
Taxes payable	(126)
Provisions	(13)
Net liabilities	**(10,426)**
Recognition in profit or loss (Note 11)	(2,758)
Recognized in equity	(7,668)
Consideration receivable	–
Net liabilities disposed	(10,426)
Gain from disposal of subsidiaries	**(10,426)**

7 Revenue

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

RUB million	2020	2019
Revenue from sale of residential real estate		
Revenue recognized at a certain point in time	951	22,243
Revenue recognized over time	22,636	4,254
Revenue from sale of parking lots		
Revenue recognized at a certain point in time	177	1,626
Revenue recognized over time	982	268
Revenue from sale of non-residential premises		
Revenue recognized at a certain point in time	832	1,445
Revenue recognized over time	822	247
Revenue from sales of other products and services		
Revenue recognized at a certain point in time	410	553
Total revenue from contracts with customers	**26,810**	**30,636**
Rental revenue	72	49
Total revenue	**26,882**	**30,685**

(b) Assets and liabilities under property sale contracts

RUB million	31 December 2020	31 December 2019
Contract assets	7,923	763
Contract liabilities:	19,744	27,241
- Liabilities under contracts, revenue from which is recognized at a certain point of time	5,092	8,901
- Liabilities under contracts, revenue from which is recognized over time	14,652	18,340

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

Below is the revenue recognized with respect to the following:

RUB million	2020	2019
Amounts within contract liabilities at the beginning of the year	10,563	26,123
Performance obligations satisfied in previous periods	18	107

Changes in liabilities under contracts with customers are presented as follows:

RUB million	2020	2019
1 January	**27,241**	**45,437**
Increase in contract liabilities during the year due to:	15,295	17,126
- Advances received under contracts	13,825	15,319
- Financing component	1,470	1,807
Recognition in revenue from continuing operations during the year	(18,067)	(30,115)
- Opening balance of contract liabilities including financing component	(10,563)	(26,123)
- Advances received under contracts	(7,504)	(3,992)
Recognition in revenue within discontinued operations	(2,651)	(5,717)
- Opening balance of contract liabilities including financing component	(1,853)	(931)
- Advances received under contracts	(798)	(4,786)
Disposal of subsidiaries (Note 6a)	(1,670)	–
Other movements	(404)	510
31 December	**19,744**	**27,241**

Almost full amount of performance obligation outstanding as at the end of the reporting period is expected to be recognized within revenue during the next three years. As at 31 December 2020, approximately RUB 15,739 million of this amount will be recognized in revenue within the next 12 months.

Changes in assets under contracts with customers are presented as follows:

RUB million	2020	2019
1 January	**763**	–
Increase in contract assets during the year due to:		
- Recognition of revenue from continuing operations	8,740	50
- Recognition of revenue from discontinued operations	1,978	761
Additional price component	(1,070)	(48)
Disposal of subsidiaries (Note 6a)	(2,488)	–
31 December	**7,923**	**763**

8 Selling expenses

RUB million	2020	2019
Advertising and marketing	409	286
Personnel expenses	156	66
Agency fees	90	29
Insurance	85	82
Depreciation and amortization	19	5
Expenses on short-terms leases and leases of low-value assets	13	31
Other selling expenses	17	29
	789	**528**

9 General and administrative expenses

RUB million	2020	2019
Personnel expenses	1,625	1,546
Taxes	113	103
Maintenance of leased premises	112	63
Advisory and other services	109	64
Depreciation and amortization	49	58
Utility expenses	48	42
Work safety and security	9	8
Expenses on short-terms leases and leases of low-value assets	9	11
Other administrative expenses	57	72
	2,131	**1,967**

10 Personnel expenses

RUB million	2020	2019
Salary		
Cost of construction	–	68
Other cost	109	137
Administrative expenses	1,362	1,293
Selling expenses	128	52
	1,599	**1,550**
Social payments and contributions		
Cost of construction	–	18
Other cost	25	36
Administrative expenses	263	253
Selling expenses	28	14
	316	**321**
Total	**1,915**	**1,871**

11 Other income and expenses

RUB million	2020	2019
Income from disposal of a subsidiary (Note 6b)	–	2,758
Fines, penalties and forfeits payable, including provision for litigations	205	163
Result from sales and write-off of property, plant and equipment and other assets	59	1,229
Revaluation of property, plant and equipment	24	(10)
Movements in allowance for materials, net	(9)	(32)
Other expenses, net	(73)	(26)
Other income, net	**206**	**4,082**

12 Finance income and expenses

RUB million	2020	2019
Reversal of impairment of loans issued	–	53
Government grant	316	–
Interest income	83	71
Unwinding of discount on loans issued	123	–
Finance income	**522**	**124**
Interest expense	(2,433)	(2,177)
Expenses on significant financing component on contracts with customers	(1,240)	(1,590)
Effect from initial recognition of loans issued and accounts receivable at fair value	(72)	–
Penalties under loan agreements	–	(970)
Other finance expenses	(85)	(47)
Finance expenses	**(3,830)**	**(4,784)**
Finance expenses, net	**(3,308)**	**(4,660)**

13 Income tax

(a) Amounts recognized in profit or loss

The Group calculated income tax based on the Russian corporate income tax rate, which is 20% (2019: 20%).

Income tax expense/(benefit) is as follows:

RUB million	2020	2019
Current income tax expense		
Current income tax	(100)	(453)
Deferred income tax (expense)/benefit		
Origination and reversal of temporary differences	(1,164)	395
Total income tax expense	**(1,264)**	**(58)**

(b) Reconciliation of effective income tax rate:

RUB million	2020	2019
Profit before tax	5,843	6,223
Income tax expense calculated at the applicable tax rate	(1,169)	(1,245)
Utilization of tax losses for which deferred tax asset was not been recognized	–	419
Change in unrecognized deferred tax assets	(202)	95
Adjustments for non-taxable income and expenses under national taxation system	107	673
	(1,264)	**(58)**

(c) Recognized deferred tax assets and liabilities

RUB million	Assets		Liabilities		Net	
	31 December 2020	1 January 2020	31 December 2020	1 January 2020	31 December 2020	1 January 2020
Property, plant and equipment	1	45	(195)	(85)	(194)	(40)
Investment property	–	–	(63)	(50)	(63)	(50)
Investments	–	–	(10)	–	(10)	–
Inventories	4,569	2,055	–	(119)	4,569	1,936
Accounts receivable	17	1,277	(1,261)	(11)	(1,244)	1,266
Loans and borrowings	27	–	–	–	27	–
Accounts payable	–	1	(4,008)	(2,196)	(4,008)	(2,195)
Tax losses carried forward	160	281	(7)	–	153	281
Other liabilities	–	–	(34)	(24)	(34)	(24)
Other assets	–	131	(282)	(558)	(282)	(427)
Provisions	15	65	–	–	15	65
Deferred tax assets/(liabilities)	**4,789**	**3,855**	**(5,860)**	**(3,043)**	?	?
Netting	(2,912)	(2,148)	2,912	2,148	–	–
Deferred tax asset/ (liabilities), net	**1,877**	**1,707**	**(2,948)**	**(895)**	**(1,071)**	**812**

(d) Change in deferred tax balance

RUB million	1 January 2020	Recognized in profit or loss	Recognized in discontinued operations	Recognized in other comprehen-sive income	Changes due to disposal (Note 6)	Change due to acquisition	31 December 2020
Property, plant and equipment	(40)	(33)	(149)	34	(6)	–	(194)
Investment property	(50)	(4)	–	–	(9)	–	(63)
Investments	–	(10)	–	–	–	–	(10)
Inventories	1,936	3,207	537	–	(1,111)	–	4,569
Accounts receivable	1,266	(1,574)	(500)	–	(436)	–	(1,244)
Loans and borrowings	–	27	–	–	–	–	27
Accounts payable	(2,195)	(2,713)	(113)	–	1,013	–	(4,008)
Tax losses carried forward	281	21	17	–	(211)	45	153
Other liabilities	(24)	(10)	(2)	–	2	–	(34)
Other assets	(427)	(71)	(10)	–	229	(3)	(282)
Provisions	65	(4)	5	–	(51)	–	15
	812	**(1,164)**	**(215)**	**34**	**(580)**	**42**	**(1,071)**

RUB million	1 January 2019	Recognized in profit or loss	Recognized in other comprehen-sive income	Changes due to disposal (Note 6)	31 December 2019
Property, plant and equipment	(241)	62	139	–	(40)
Investment property	(58)	8	–	–	(50)
Inventories	1,528	407	–	1	1,936
Accounts receivable	118	1,138	–	10	1,266
Accounts payable	(1,584)	(611)	–	–	(2,195)
Tax losses carried forward	324	(43)	–	–	281
Other liabilities	–	(24)	–	–	(24)
Other assets	(315)	(112)	–	–	(427)
Provisions	100	(35)	–	–	65
	(128)	**790**	**139**	**11**	**812**

(e) Unrecognized deferred tax assets

As at 31 December 2019, deferred tax assets in the amount of RUB 5,515 million were not recognized with respect to deductible temporary differences and tax losses carried forward since it was not probable that the Group would generate future taxable profit against which tax benefits could be used. In 2020, RUB 1,535 million of that amount were disposed together with discontinued operations with RUB 4,182 million remaining at 31 December 2020.

(f) Unrecognized deferred tax liabilities

As at 31 December 2020, temporary differences arising with respect to investments in subsidiaries amounted to RUB 707 million (31 December 2019: RUB 2,650 million). Deferred tax liabilities related to these temporary differences were not recognized because the Company controls the terms of reversal of the respective taxable temporary differences and it is sure that they will not be reversed in the foreseeable future.

14 Property, plant and equipment

RUB million	Land plots	Buildings and constructions	Machinery and equipment	Other property, plant and equipment	Construction in progress	Total
Cost/deemed cost						
1 January 2019	**42**	**2,854**	**1,477**	**100**	**61**	**4,534**
Additions	–	–	–	–	166	166
Disposals	(10)	(106)	(21)	(20)	(5)	(162)
Disposal of subsidiaries (Note 6)	–	–	(20)	(22)	–	(42)
Reclassification from inventories	–	10	–	–	–	10
Revaluation	(8)	(520)	(1,374)	(51)	–	(1,953)
Transfer to property, plant and equipment	11	113	12	56	(192)	–
31 December 2019	**35**	**2,351**	**74**	**63**	**30**	**2,553**
Balance at 1 January 2020	**35**	**2,351**	**74**	**63**	**30**	**2,553**
Acquisitions through business combinations	–	27	–	1	–	28
Additions	–	–	–	–	197	197
Disposals	–	–	–	(12)	–	(12)
Disposal of subsidiaries (Note 6)	(25)	(371)	(51)	(33)	–	(480)
Reclassification from inventories	–	5	–	–	–	5
Reclassification between groups	(10)	20	(24)	14	–	
Revaluation	–	(214)	(1)	(8)	–	(223)
Transfer to property, plant and equipment	–	134	11	18	(163)	–
31 December 2020	**–**	**1,952**	**9**	**43**	**64**	**2,068**
Accumulated depreciation and impairment losses						
1 January 2019	–	–	–	–	–	–
Depreciation charge	–	(120)	(823)	(29)	–	(972)
Disposals	–	–	4	2	–	6
Disposal of subsidiaries (Note 6)	–	–	2	2	–	4
Revaluation	–	107	81	25	–	949
31 December 2019	**–**	**(13)**	**–**	**–**	**–**	**(13)**
Balance at 1 January 2020	**–**	**(13)**	**–**	**–**	**–**	**(13)**
Depreciation charge	–	(110)	(6)	(14)	–	(130)
Disposals	–	–	–	2	–	2
Disposal of subsidiaries (Note 6)	–	57	5	4	–	66
Revaluation	–	64	1	8	–	73
31 December 2020	**–**	**(2)**	**–**	**–**	**–**	**(2)**
Carrying amount						
1 January 2019	**42**	**2,854**	**1,477**	**100**	**61**	**4,534**
31 December 2019	**35**	**2,338**	**74**	**63**	**30**	**2,540**
31 December 2020	**–**	**1,950**	**9**	**43**	**64**	**2,066**

(a) Depreciation charge

Depreciation charge for 2020 is taken to construction cost in the amount of RUB 14 million, administrative expenses in the amount of RUB 47 million, selling expenses in the amount of RUB 16 million and discontinued operations in the amount of RUB 53 million (2019: RUB 17 million, RUB 57 million, RUB 4 million, RUB 894 million, respectively).

(b) Right-of-use assets

As at 31 December 2020, the net carrying amount of right-of-use assets was RUB 3 million (31 December 2019: RUB 54 million).

(c) Revaluation of property, plant and equipment

As at 31 December 2020 and 31 December 2019, the Group conducted revaluation of property, plant and equipment. The revaluation of property, plant and equipment was performed by independent appraisers. As a result of the revaluation, the revaluation provision within the Group's equity decreased by RUB 138 million (less deferred income tax for RUB 34 million) and RUB 554 million (less deferred income tax for RUB 139 million), respectively.

Land and premises

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

Buildings, transfer devices, machinery, equipment and transport vehicles

Fair values of buildings, transfer devices, machinery, equipment and transport vehicles were determined using the cost approach (Level 3 of the fair value hierarchy, see Note 5). Under the cost approach, the initial carrying amount indexation method was used.

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

15 Investment property

(a) Reconciliation of carrying amount

RUB million	2020	2019
Cost at 1 January	**1,641**	**1,681**
Transferred from inventories	33	–
Change in fair value recorded in continuing operations	22	(44)
Change in fair value recorded in discontinuing operations	–	4
Disposal of subsidiaries (Note 6a)	(1,330)	–
Cost at 31 December	**366**	**1,641**

(b) Fair value measurement

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

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

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

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

16 Land plots for construction

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

RUB million	2020	2019
Cost at 1 January	**3,065**	**2,222**
Additions and subsequent expenditures	204	970
Transfer to real estate under construction	–	(127)
Disposal of subsidiaries (Note 6a)	(1,962)	–
Cost at 31 December	**1,307**	**3,065**

17 Real estate for sale and under construction

RUB million	31 December 2020	31 December 2019
Construction in progress held for sale (at cost)	23,787	24,007
Finished goods and goods for resale (at the lower of cost and net realizable value)	2,607	5,232
Raw materials (at cost)	–	191
Advances issued	4,746	4,535
	31,140	**33,965**

A significant part of construction in progress and finished products include apartments, non-residential premises and parking spaces. Standard operating cycle of a construction project may exceed 12 months. Inventories are included in current assets even if they are not expected to be sold within one year after the reporting date. As at 31 December 2020, inventories with the carrying amount of RUB 16,304 million under concluded contracts are expected to be sold within the next year (31 December 2019: RUB 12,189 million). Since no contracts for other property items have been concluded yet, it is not possible to accurately estimate the periods when these inventories are sold.

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

RUB million	2020	2019
1 January	**33,965**	**46,666**
Write-off to cost of continuing operations	(14,882)	(20,908)
Write-off to cost of discontinued operations	(3,527)	(4,214)
Additions of costs	21,502	9,756
Advances for construction works, net	1,330	2,665
Disposal of subsidiaries (Note 6a)	(7,248)	–
31 December	**31,140**	**33,965**

Impairment testing

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

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

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

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

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

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

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

The range of market construction costs is determined based on published project declaration on construction of residential complexes of economy, comfort and business classes for 2013-2020 considering the construction cost transfer ratio at the analysis date.

According to the results of the testing, the carrying amount of inventories as at 31 December 2020 and 31 December 2019 did not exceed their net realizable value.

	31 December 2020			**31 December 2019**		
RUB million	**Cost**	**Allowance for write down to net realizable value**	**Carrying amount**	**Cost**	**Allowance for write down to net realizable value**	**Carrying amount**
Inventories	31,140	–	31,140	33,965	–	33,965
Total	**31,140**	**–**	**31,140**	**33,965**	**–**	**33,965**

18 Loans issued

RUB million	31 December 2020	31 December 2019
Long-term		
Loans issued to related parties in RUB at fixed rates of 2.89%-10.5%	3,272	–
Loans issued to third parties in RUB at fixed rates of 0.1%-9.0%	–	856
Non-interest-bearing promissory notes	483	6
Impairment allowance	–	(856)
	3,755	**6**
Short-term		
Loans issued to related parties in RUB at fixed rates of 13.1%-17.28%	2	2
Loans issued to related parties in RUB at fixed rates of 9.5%-13.1%	–	1,581
Loans issued to third parties in RUB at fixed rates of 0.1%-9.5%	6	1,063
Promissory notes issued to a related party 5.5%	636	–
Bank promissory notes	–	2,152
Impairment allowance	(4)	(2,637)
	640	**2,161**

Due to the disposal of Patriot JSC and its subsidiaries in September 2020, the Group recognized receivables from the disposed companies for loans and promissory notes issued in the amount of RUB 3,272 million and RUB 483 million, respectively.

19 Accounts receivable

RUB million	31 December 2020	31 December 2019
Long-term		
Accounts receivable for sales of land plots	220	–
Other accounts receivable	1,436	–
	1,656	**–**
Short-term		
Accounts receivable for sales of land plots	302	800
Trade accounts receivable	202	495
Other accounts receivable	454	756
Impairment loss	(423)	(662)
	(535)	**1,389**

Impairment

RUB million	31 December 2020	31 December 2019
Trade accounts receivable	(41)	(70)
Other accounts receivable	(382)	(592)
	(423)	**(662)**

20 Cash and cash equivalents

RUB million	31 December 2020	31 December 2019
Bank deposits (interest rates of 5.5%-7%)	3,145	215
Balances of cash on bank accounts	720	2,725
Cash and cash equivalents	**3,865**	**2,940**

Cash and cash equivalents are denominated in Russian rubles.

As at the reporting date, cash and cash equivalents were not overdue and had no indication of default according to management (31 December 2019: the same). The probability of default was determined by management based on credit ratings considering forecast changes of these ratings assigned by a corresponding rating agency as at the reporting date.

Cash balance on escrow accounts (for reference)

RUB million	31 December 2020	31 December 2019
Escrow accounts	22,541	6,634

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

21 Other non-financial assets

RUB million	31 December 2020	31 December 2019
Long-term		
Intangible assets	78	133
	78	**133**
Short-term		
Advances issued	1,645	598
Materials	21	187
Other	15	35
Impairment loss on advances issued	(48)	(112)
	1,633	**708**

As at 31 December 2020, advances issued comprise financing of purchase of new projects of the Group: residential complex Tankoviy (RUB 1,000 million) and residential complex Sergey Makeev (RUB 200 million).

22 Equity

Shares issued

	31 December 2020	31 December 2019
Number of shares issued, thousands	50,040	50,040
Nominal value of the share, RUB	30	30
Shares issued, RUB million	**1,501**	**1,501**

23 Dividends

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

The Board of Directors did not declare dividends to be paid in 2020 and 2019.

24 Loans and borrowings

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

RUB million	31 December 2020	31 December 2019
Long-term		
Promissory notes	35	400
Unsecured bank loans and other loans received	1,235	1,986
Project financing	13,481	3,185
Secured bank loans	13,805	–
	28,556	**5,571**
Short-term		
Promissory notes	–	634
Unsecured bank loans and other loans received	1,756	2,690
Project financing	56	2,839
Secured bank loans	211	15,867
	2,023	**22,030**
	30,579	**27,601**

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

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

As at 31 December 2019, bank loans were secured by the following:

- Lease/ownership rights for land plots with the total area of 644 thousand sq. meters with the carrying amount of RUB 9,053 million;
- Investment property with the carrying amount of RUB 482 million;
- Property, plant and equipment with the carrying amount of RUB 1,859 million;
- Guarantees of the Group's companies and the parent: INTECO JSC, KRION JSC, TD Nezhinskaya LLC, Stroytekhinvest JSC, Magistrat LLC, Isakievskiy Otel LLC, Patriot JSC, Stroypodryad JSC, AUREVO LIMITED;
- Interest and shares of subsidiaries: 100% of INTECO JSC, 100% of VIP-Center JSC, 100% of KRION JSC, 100% of Stroytekhinvest JSC, 100% of TD Nezhinskaya LLC, 100% of Isakievskiy Otel LLC, 99.9% of KKPD-Invest LLC, 100% of UK KKPD JSC.

In July and September 2019, the Group received bank loans in the amount of RUB 526.3 million at the rates from CBR+7.50% to CBR+10.50%. In addition, during 2020, the Group received loans and borrowings for RUB 3,159 million at the interest rate of 3/4 of the key interest rate established by the Bank of Russia. Cash was used to replenish the Group's working capital.

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

In 2019 and 2020, the Group received a loan under previously concluded loan agreements for providing a credit line to finance construction of residential complex Sadovye Kvartaly located at Moscow, ul. Usacheva, 11. The loan bears a rate of 10.5%. In June 2020, addenda were concluded to establish that the interest rate for the effective period of the subsidy program implemented by Decree No. 629 of the Government of the Russian Federation of 30 April 2020 should be deemed the key interest rate of the Bank of Russia. As at 31 December 2020, the outstanding amount of the loan was RUB 3,361 million (31 December 2019: RUB 4,465 million).

In September 2019, the Group signed an agreement to raise financing to construct a project using escrow accounts: residential complex West Garden located at Moscow, crossing of ul. Minskaya and Kiev direction of Moscow Railway, floodplain of Ramenka river, line 1, stage 2, bld. 2, bld. 3. The loan bears a floating interest rate, which depends on the amount of cash on escrow accounts (standard interest rate of 11.7% and reduced interest rate of 4.65%). The standard interest rate is a market rate on loans without escrow accounts. A reduced interest rate is a loan rate applied to the amount of loan equal to cash raised on escrow accounts. The effective interest rate on the loan is 11.49%. The Group’s benefit from the loan agreement is a part of variable consideration and was recognized in determining the price of transaction in contracts with real estate purchasers. As at 31 December 2020, the outstanding amount of the loan was RUB 4,739 million (31 December 2019: RUB 1,396 million).

In May 2019, the Group signed an agreement to raise funds to construct a project using escrow accounts: residential complex Westerdam located at Moscow, Western Administrative Okrug, Ochakovo-Matveyevskoye, crossing of Aminyevskoye shosse and Kiev direction of Moscow Railway, line 2, stage 1, housing area. The loan bears a floating interest rate, which depends on the amount of cash on escrow accounts (standard interest rate of 11.7% and reduced interest rate of 4.65%). The effective interest rate on the loan is 11.03%. The Group’s benefit from the loan agreement is a part of variable consideration and was recognized in determining the price of transaction in contracts with real estate purchasers. As at 31 December 2020, the outstanding amount of the loan was RUB 6,519 million (31 December 2019: RUB 993 million).

In August 2020, the Group concluded agreements to raise project financing to construct a project using escrow accounts: residential complex Vrubelya 4 located at Moscow, ul. Vrubelya, bld. 4/1. The loan bears a floating interest rate, which depends on the amount of cash on escrow accounts (standard interest rate of 7.6% and reduced interest rate of 2.99%). As at 31 December 2020, the outstanding amount of the loan was RUB 1,433 million.

During 2020, the Group repaid bank loans for RUB 7,945 million (2019: the Group repaid bank loans for RUB 10,300 million).

During 2020, the Group disposed of subsidiaries with the total loans payable of RUB 11,310 million (2019: RUB 13,472 million) (see Note 6).

Covenants

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

As at 31 December 2019, the Group breached several financial covenants, which gave the creditors the right to demand immediate repayment of short-term and long-term loans, the carrying amount of which was RUB 19,233 million at the above date. As at 31 December 2019, the such long-term loans were classified as short-term loans.

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

Undrawn credit lines

As at 31 December 2020, the total amount of undrawn credit lines was RUB 39,743 million. As at the date of issue of these consolidated financial statements, the amount of these undrawn credit lines was RUB 37,984 million.

Terms and conditions of loans and borrowings

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

RUB million	31 December 2020	31 December 2019
Project financing		
in RUB at effective rates of 9.51%-11.58%	13,537	6,024
Secured bank loans		
in RUB at fixed rates of 11.00%-15.00%	–	1,913
in RUB at fixed rates of 10.30%-10.50%	13,886	13,785
in RUB at fixed rates of 0.10%-7.50%	130	169
Unsecured bank loans and other loans received		
in RUB at fixed rates of 0.10%-9.50%	2,951	4,676
in RUB at fixed rates of 10.30%-10.50%	40	–
Promissory notes (in RUB at a fixed rate of 0.10%)	35	1,034
	30,579	**27,601**

RUB million	Carrying amount at 1 January 2020	Reclassifi-cation	Received	Repaid	Disposal of subsidiaries (Note 6)	Interest accrued	Income from subsidies	Carrying amount at 31 December 2020
Long-term borrowings	**5,571**	**28,826**	**321**	**–**	**(6,056)**	**(106)**	**–**	**28,556**
Unsecured bank loans and other loans	1,986	1,473	–	–	(2,020)	(204)	–	1,235
Secured bank loans	–	13,805	–	–	–	–	–	13,805
Project financing	3,185	13,513	321	–	(3,636)	98	–	13,481
Promissory notes	400	35	–	–	(400)	–	–	35
Short-term borrowings	**22,030**	**(28,826)**	**23,849**	**(11,263)**	**(5,254)**	**1,803**	**(316)**	**2,023**
Unsecured bank loans and other loans	2,690	(1,473)	3,126	(2,013)	(844)	270	–	1,756
Secured bank loans	15,867	(13,805)	6,463	(9,250)	(185)	1,404	(316)	211
Project financing	2,839	(13,513)	14,192	–	(3,591)	129	–	56
Promissory notes	634	(35)	35	–	(634)	–	–	–
Total liabilities arising from financing activities	**27,601**	**–**	**24,170**	**(11,263)**	**(11,310)**	**1,697**	**(316)**	**30,579**

RUB million	Carrying amount at 1 January 2019	Reclassifi-cation	Received	Loans received from a disposed subsidiary	Repaid	Disposal of subsidiaries (Note 6)	Interest accrued	Carrying amount at 31 December 2019
Long-term borrowings	**10,501**	**(75)**	**3,185**	**2,383**	**–**	**(10,657)**	**234**	**5,571**
Unsecured bank loans and other loans	9,104	1,322	–	1,983	–	(10,657)	234	1,986
Secured bank loans	1,397	(1,397)	–	–	–	–	–	–
Project financing	–	–	3,185	–	–	–	–	3,185
Promissory notes	–	–	–	400	–	–	–	400
Short-term borrowings	**22,904**	**75**	**10,731**	**1,471**	**(12,707)**	**(2,815)**	**2,371**	**22,030**
Unsecured bank loans and other loans	4,251	(1,322)	1,086	871	(1,514)	(1,035)	353	2,690
Secured bank loans	17,773	1,397	6,060	–	(10,007)	(1,251)	1,895	15,867
Project financing	315	–	3,585	–	(1,182)	–	121	2,839
Promissory notes	565	–	–	600	(4)	(529)	2	634
Total liabilities arising from financing activities	**33,405**	**–**	**13,916**	**3,854**	**(12,707)**	**(13,472)**	**2,605**	**27,601**

25 Provisions

RUB million	Provision for construction completion	Provision for litigations	Tax provision	Total
1 January 2019	**35**	**636**	**–**	**671**
Charged	541	73	120	734
Utilized	(327)	(636)	–	(963)
31 December 2019	**249**	**73**	**120**	**442**
1 January 2020	**249**	**73**	**120**	**442**
Utilized	(172)	(34)	–	(206)
Disposal of subsidiaries (Note 6a)	–	(3)	(120)	(123)
31 December 2020	**77**	**36**	**–**	**113**

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

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

26 Accounts payable

RUB million	31 December 2020	31 December 2019
Long-term		
Long-term trade accounts payable	627	31
	627	**31**
Short-term		
Other advances received	165	102
Accounts payable on construction works and other trade accounts payable	1,960	2,624
Guarantee amounts retained from contractors	1,026	473
Amounts payable to personnel	563	606
Other accounts payable	352	669
	4,066	**4,474**

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

27 Financial instruments

(a) Overview

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

- Credit risk;
- Liquidity risk;
- Market risk.

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

Risk management framework

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

The Group's risk management policies deal with identifying and analyzing the risks related to the Group's activities, setting appropriate risk limits and controls, and monitoring risk and compliance with limits. Risk management policies and framework are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims at developing an orderly and effective control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if its counterparties fail to meet their contractual obligations under financial instruments or contracts with customers. Mainly, credit risk relates to trade accounts receivable, assets under contracts with customers, other financial assets, including loans issued and cash. During the reporting period, there were no significant changes in the structure of financial assets and their credit quality, as well as the Group's approaches to their measurement.

(i) Sale of apartments to individuals

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

(ii) Accounts receivable from organizations

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

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

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

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

(iii) Guarantees

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

(iv) Cash and cash equivalents

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

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

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

Level of credit risk

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

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

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

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

RUB million	**31 December 2020**	**31 December 2019**
Loans issued	4,395	2,167
Accounts receivable	2,191	1,389
Assets under contracts with customers	7,923	763
Cash and cash equivalents	3,865	2,940
	18,374	**7,259**

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

Impairment losses

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

RUB million	**Loans issued**	**Accounts receivable**	**Total**
Impairment allowance at 1 January 2019	**12,341**	**6,242**	**18,583**
Decrease in expected credit losses due to disposal of a subsidiary	(5,483)	(5,705)	(11,188)
Decrease in expected credit losses due to repayment of debt (Note 10, less reversed interest accrued)	(3,371)	–	(3,371)
Other changes in expected credit losses for the year, net	6	125	131
Impairment allowance at 31 December 2019	**3,493**	**662**	**4,155**

RUB million	Loans issued	Accounts receivable	Total
Impairment allowance at 1 January 2020	**3,493**	**662**	**4,155**
Decrease in expected credit losses due to disposal of a subsidiary	(2,635)	(176)	(2,811)
Decrease in the expected credit losses due to write-off of debt	(854)	–	(854)
Other changes in expected credit losses for the year, net	–	(63)	(63)
Impairment allowance at 31 December 2020	**4**	**423**	**427**

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

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

Accounts receivable

Internal credit rating of the Group	Gross value 31 December 2020	Impairment 31 December 2020	Gross value 31 December 2019	Impairment 31 December 2019
A- to A++	2,093	–	1,312	–
B- to B++	194	(97)	152	(75)
Default	327	(326)	587	(587)
Total	**2,614**	**(423)**	**2,051**	**(662)**

Loans issued

Internal credit rating of the Group	Gross value 31 December 2020	Impairment 31 December 2020	Gross value 31 December 2019	Impairment 31 December 2019
A- to A++	4,395		2,167	–
Default	4	(4)	3,493	(3,493)
Total	**4,399**	**(4)**	**5,660**	**(3,493)**

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The objective of liquidity risk management is to constantly maintain sufficient liquidity to meet the Group's liabilities when due, under both normal and stressed financial conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

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

Earnings before interest, taxes, depreciation, and amortization (EBITDA) represent the Group's performance, including the ability to finance costs and raise borrowings. Based on the financial statements, the Group calculated this indicator for 2020 and 2019:

RUB million	**Note**	**2020**	**2019**
Profit before tax		5,843	6,223
Depreciation of property, plant and equipment in cost		–	381
Depreciation of property, plant and equipment in general, administrative and selling expenses	8, 9	68	63
Finance expenses	12	3,830	4,784
Finance income	12	(522)	(124)
(Gain)/loss from changes in fair value of investment property	15	(22)	44
(Reversal)/charge of impairment of accounts receivable		(35)	113
Gain on disposal of a subsidiary	6a	–	(2,758)
(Gain)/loss on revaluation of property, plant and equipment	14	(24)	10
EBITDA		**9,138**	**8,736**

Risk of non-compliance with contractual terms

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

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

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

31 December 2019				**Contractual cash flows**					
RUB million	**Carrying amount**	**On demand**	**0-6 months**	**6-12 months**	**1-2 years**	**2-3 years**	**3-5 years**	**5-10 years**	**Total**
Bank loans	27,601	19,233	2,181	740	3,724	2,260	–	–	28,138
Accounts payable	4,505	–	3,467	138	277	277	346	–	4,505
	32,106	**19,233**	**5,648**	**878**	**4,001**	**2,537**	**346**	**–**	**32,643**

(d) Market risk

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

(i) Currency risk

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

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

Currency risk level

The Group's currency risk level determined based on nominal amount of financial instruments was insignificant in 2020 and 2019.

(ii) Interest rate risk

Changes in interest rates mainly have an impact on loans and borrowings received since they change either their fair value (on fixed rate loans and borrowings) or future cash flows (on variable rate loans and borrowings). Management of the Group does not have a formal policy of determining how much of the Group's exposure should be related to fixed or variable rates. However, at the time when new loans or borrowings are raised, management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

Risk level

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

RUB million	**Note**	**31 December 2020**	**31 December 2019**
Financial assets		**7,540**	**2,382**
Bank deposits within cash equivalents		3,145	215
Loans issued	18	4,395	2,167
Financial liabilities		**(30,579)**	**(27,601)**
Loans and borrowings	23	(30,579)	(27,601)
		(23,039)	**(25,219)**

(e) Fair value and carrying amount

As at 31 December 2020 and 2019, the carrying amounts of the Group's financial assets and liabilities were not materially different from their fair values.

(f) Capital management

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

Industry-related capital requirements

Starting from 2017, the law of the Russian Federation established requirements to the amount of share capital necessary to raise funds from shared construction participants (from RUB 2.5 million to RUB 1,500 million, depending on the area of property items constructed using cash from share construction participants). In case the share capital of developer is not in compliance with the requirements, the developer has the right to conclude a guarantee agreement in order to make the share capitals of the developer and the guarantor compliant with the established requirements. Share capital requirements are applicable to developers who received permissions before 1 July 2018. As at 31 December 2020, the main developer entities included in the Group are in compliance with the share capital requirement.

General corporate capital requirements

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

28 Contingencies

(a) Tax contingencies

The taxation system in the Russian Federation continues to develop and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. Fiscal periods remain open to review for three subsequent calendar years. Recent events within the Russian Federation suggest that the tax authorities may take a more assertive position in their interpretation of the legislation and assessments.

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

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

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

Based on its understanding of the current and previous tax legislation, management believes that accrued provisions for tax liabilities are sufficient. However, the risk remains that the interpretation by the tax authorities of the Russian Federation could differ. Possible liabilities, which were identified by management as at 31 December 2020 as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these consolidated financial statements could be up to approximately RUB 1,009 million (31 December 2019: RUB 1,177 million). Recent events in the Russian Federation suggest that the tax authorities can take a more assertive position in their interpretation of legislation and assessments. The tax authorities may therefore challenge transactions and accounting methods that they have never challenged before. As a result, additional taxes, penalties and interest may be assessed.

(b) Litigations

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

(c) Warranty of work performed

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

(d) Insurance

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

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

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

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

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

(e) Industry regulation

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

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

29 Principal subsidiaries

As at 31 December 2020, the Group controlled 22 entities (31 December 2019: 40). Assets, liabilities, revenue and expenses of these entities are included in these consolidated financial statements.

The most material subsidiaries of the Group are as follows:

		Effective ownership interest		
	Region	**31 December 2020**	**31 December 2019**	**Type of operations**
INTECO JSC	Moscow	100%	100%	Construction
VIP-Center JSC	Moscow	100%	100%	Construction
Magistrat LLC	Moscow	100%	100%	Real estate services
UKS INTECO LLC	Moscow	100%	100%	Construction
SZ Ilyinka 3/8 LLC	Moscow	100%	100%	Construction
SZ Vrubelya 4 JSC	Moscow	100%	0%	Construction
Patriot Severo-Zapad LLC	St. Petersburg	0%	100%	Construction
PATRIOT-Development Severo-Zapad LLC	St. Petersburg	0%	100%	Construction
PATRIOT-Comfort LLC	St. Petersburg	0%	100%	Real estate maintenance
KKPD JSC	Rostov-on-Don	0%	77%	Manufacturing of reinforced concrete goods
KKPD-Invest LLC	Rostov-on-Don	0%	100%	Construction
Magistrat-Don LLC	Rostov-on-Don	0%	100%	Real estate services
PATRIOT-Development Yug LLC	Rostov-on-Don	0%	100%	Construction
SZ LEVENTSOVKA PARK LLC	Rostov-on-Don	0%	100%	Construction

In March 2020, the Group acquired SZ Vrubelya 4 JSC, which owns a land plot, project documentation and permission to construct a residential complex in Moscow in Artists' Village. The acquisition of a company was recognized as acquisition of an asset.

In September 2020, due to the reorganization (see Note 6a), the Group sold controlling shares in Patriot JSC and its subsidiaries.

30 Related party transactions

(a) Control relationships

As at 31 December 2020 and 31 December 2019, the Group was controlled by the Central Bank of the Russian Federation.

(b) Remuneration to key management

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

RUB million	**2020**	**2019**
Salaries and bonuses	275	244
Social security costs	44	39
Total	**319**	**283**

(c) Related party transactions

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

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

Transactions and balances with the parent and ultimate shareholder

RUB million	**31 December 2020**	**31 December 2019**
Loans issued		
Promissory notes of National Bank TRUST Public Joint Stock Company	–	2,152
Loans and borrowings		
National Bank TRUST Public Joint Stock Company	3,122	1,991
Accounts payable		
National Bank TRUST Public Joint Stock Company	20	–

RUB million	**2020**	**2019**
Interest on loans, accrued		
National Bank TRUST Public Joint Stock Company	263	362
Other expenses		
National Bank TRUST Public Joint Stock Company	–	970
Interest receivable		
Promissory notes of National Bank TRUST Public Joint Stock Company	–	18

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

RUB million	31 December 2020	31 December 2019
Cash and cash equivalents	3,863	2,925
Loans and borrowings	25,982	21,722
Accounts payable	35	–

RUB million	2020	2019
Interest on loans, accrued	1,110	1,771
Other expenses	5	45

Transactions and balances with other related parties

RUB million	31 December 2020	31 December 2019
Loans issued	4,926	–
Accounts receivable	1,482	19
Accounts payable	3	–
Loans and borrowings	7	–

RUB million	2020	2019
General and administrative expenses	8	1
Selling expenses	5	–
Other revenue	64	45
Other cost	5	–
Interest receivable	11	–

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

31 Subsequent events

Raising finance

In January 2021, National Bank TRUST Public Joint Stock Company opened a non-revolving credit line for one of the Group's subsidiaries with the limit of RUB 450 million bearing an interest rate of 3/4 of the key rate of the Bank of Russia and maturing in September 2027 to replenish the Group's working capital.

In addition, in February 2021, National Bank TRUST Public Joint Stock Company opened another non-revolving credit line for one of the Group's subsidiaries with the limit of RUB 297 million bearing an interest rate of 3/4 of the key rate of the Bank of Russia and maturing in August 2021 to raise project financing for residential complex Ilyinka project in Moscow.

Project acquisition

In February 2021, the Group acquired a land plot of 29,576 sq.m to construct premium-class housing located on ul. Sergeya Makeeva, Moscow. Residential complex Sergey Makeev project is currently under development, permission of the Urban Planning and Land Commission has been received. Acquisition of TD MAGMOS JSC (subsequently renamed into SZ Sergey Makeev JSC) was recognized as asset acquisition.

As part of acquisition of residential complex Sergey Makeev project in January-February 2021, the Group concluded a financing agreement to purchase shares of TD MAGMOS JSC, which owns a land plot on Sergey Makeev street with National Bank TRUST Public Joint Stock Company with the limit of RUB 3,600 million bearing an interest rate of 3/4 of the key rate of the Bank of Russia and maturing in the third quarter of 2027 and with Bank Otkritie Financial Corporation Public Joint Stock Company with the limit of RUB 4,563 million bearing an interest rate of 9% p.a. and maturing in November 2022.

32 Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of 31 December 2020.

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

(ii) Non-controlling interests

Non-controlling interest is recognized as a proportional part of the acquiree’s identifiable net assets at the acquisition date.

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

(iii) Subsidiaries

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

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

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

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

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

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

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

(iv) Transactions eliminated in consolidation

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

(v) Loss of control

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

(vi) Share in equity-accounted investees

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

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

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

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

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

(b) Discontinued operations

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

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

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

(c) Classification of assets and liabilities

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

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

(d) Revenue from contracts with customers

(i) Revenue from sales of real estate

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

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

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

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

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

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

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

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

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

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

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

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

According to the terms of provision of land for construction, the Group assumes responsibility to construct property items of social and cultural value and infrastructure transferred to authorities or municipal councils on a free-of-charge basis. During construction of each house, the Group includes all costs of such property items in construction cost even if they have not been incurred yet and recognizes provision for construction completion.

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

Non-monetary compensation

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

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

Costs to obtain a contract

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

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

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

Use of escrow accounts

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

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

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

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

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

Other revenue

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

(e) Leases

(i) Group as a lessor

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

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

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

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

(ii) Group as a lessee

Right-of-use assets

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

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

Right-of-use asset are reviewed for impairment.

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

(f) Other expenses

Social contributions

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

(g) Finance income and expenses

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

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

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

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

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

(h) Foreign currency transactions

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

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

(i) Employee benefits

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

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

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided under the employment agreement. A liability is recognized for the amount expected to be paid under short-term cash bonus or share of profit if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and provided the obligation can be reliably measured.

(j) Cash and cash equivalents

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

(k) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated, and it is highly probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Changes in the discounted value resulting from the reduction of the discounting period ("unwinding of discount") are recognized as finance expenses.

(i) Provision for tax liabilities

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

(ii) Litigation costs

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

Provision for construction completion

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

(iii) Onerous contracts

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent measurement

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

Depreciation

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

Estimated useful lives of property, plant and equipment:

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

(m) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

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

(iii) Subsequent costs

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

(iv) Amortization

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

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

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

(n) Investment property

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

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

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

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

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

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

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

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

(o) Financial instruments

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

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

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

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

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

Non-derivative financial assets – measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) *Non-derivative financial liabilities – measurement*

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

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

(iii) *Financial guarantees*

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

(p) Share capital

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

(q) Inventories

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

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

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

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

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

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

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

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

(r) Impairment

Non-derivative financial assets

Financial instruments and contract assets

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

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

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

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

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

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

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

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

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

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

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

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

ECL assessment

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

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

Credit-impaired financial assets

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

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

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

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

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

Write-offs

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

Non-financial assets

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

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

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

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

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

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

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

(s) Income tax

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

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

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

Deferred tax is not recognized:

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

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. The amount of deferred tax assets is analyzed as at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

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

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

(t) Government grants

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

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

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

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

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

33 New standards

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

The accounting principles adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as at 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In 2020, the Group applied the below amendments and interpretations for the first time, but they did not have any effect on its consolidated financial statements.

Amendments to IFRS 3 Definition of a Business

The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, they clarify that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 7, IFRS 9 and IAS 3 9 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any hedge relationships that could be affected by the interest rate benchmark reform.

Amendments to IAS 1 and IAS 8 Definition of Material

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* provide a new definition of material which states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information (either individually or in combination with other information) in the context of the financial statements taken as a whole. A misstatement of information is material if it could reasonably be expected to influence decisions made by primary users of the financial statements. These amendments had no impact on the consolidated financial statements of the Group and are not expected to have any impact in the future.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The *Conceptual Framework for Financial Reporting* issued on 29 March 2018 is not a standard, and none of its provisions prevail over any provision or requirement of any standard. The purpose of the *Conceptual Framework* is to assist the IASB in developing standards, to help preparers develop accounting policies where there is no applicable standard in place for a transaction or other event, and to assist all parties to understand and interpret the standards. The revised *Conceptual Framework* includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendment to IFRS 16: COVID-19-related Rent Concessions

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

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Early application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective

The Group assessed the effect of adopting the standards that have been issued but are not yet effective (IFRS 17 *Insurance Contracts*, Amendments to IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*), Amendments to IFRS 3 *Reference to the Conceptual Framework*, Amendments to IAS 1 6 *Property, Plant and Equipment – Proceeds before Intended Use*, Amendments to IAS 37: *Onerous Contracts – Costs of Fulfilling a Contract*, Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter*, Amendment to IFRS 9 *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*, Amendment to IAS 4 1 *Agriculture – Taxation in Fair Value Measurements*, Amendments to IAS 1 *Presentation of Financial Statements* and to IFRS Practice Statement 2 – *Disclosure of Accounting Policies*, Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2*, Amendments to IFRS 4 *Insurance Contracts – Deferral of IFRS 9*, and concluded that they will not have any impact on its consolidated financial statements.