# Public Joint Stock Company “PIK-specialized homebuilder”

# (previously PJSC Group of Companies PIK)

# Consolidated Financial Statements

# for 2020

# and Independent Auditors’ Report

# Contents

# Consolidated Statement of Financial Position as at 31 December 2020

| mln RUB | Note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 35,546 | 34,453 |
| Intangible assets and goodwill | 16 | 14,033 | 13,454 |
| Investment property | 17 | 6,880 | 6,626 |
| Equity accounted investees | | 8 | 703 |
| Other investments | 19 | 218 | 263 |
| Accounts receivable | 20 | 663 | 1,774 |
| Financial instruments measured at fair value through profit and loss | 24 | 34,378 | 10,377 |
| Deferred tax assets | 14 | 4,747 | 593 |
| **Total non-current assets** | | **96,473** | **68,243** |
| **Current assets** | | | |
| Inventories | 18 | 306,990 | 270,967 |
| Other investments | 19 | 454 | 217 |
| Current income tax assets | | 1,785 | 1,475 |
| Accounts receivable, including contract assets | 20 | 145,341 | 64,130 |
| Cash and cash equivalents | 22 | 96,527 | 66,208 |
| Other current assets | | 1,238 | 763 |
| **Total current assets** | | **552,335** | **403,760** |
| **Total assets** | | **648,808** | **472,003** |



The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 83.

# Consolidated Statement of Financial Position as at 31 December 2020

| mln RUB | Note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 25 | | |
| Share capital | | 41,295 | 41,295 |
| Additional paid-in capital | | (8,470) | (8,470) |
| Retained earnings | | 147,343 | 75,962 |
| **Total equity attributable to owners of the Company** | | **180,168** | **108,787** |
| Non-controlling interests | 27 | 2,143 | 1,501 |
| **Total equity** | | **182,311** | **110,288** |
| | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 26 | 197,329 | 109,608 |
| Accounts payable | 29 | 7,450 | 9,807 |
| Liabilities from long-term lease contracts | 21 | 10,210 | 4,601 |
| Provisions | 28 | 153 | - |
| Deferred tax liabilities | 14 | 33,813 | 19,856 |
| **Total non-current liabilities** | | **248,955** | **143,872** |
| | | | |
| **Current liabilities** | | | |
| Loans and borrowings | 26 | 34,766 | 29,939 |
| Accounts payable, including contract liabilities | 29 | 145,263 | 157,569 |
| Liabilities from long-term lease contracts | 21 | 3,753 | 2,023 |
| Provisions | 28 | 27,341 | 25,971 |
| Current income tax liabilities | | 6,419 | 2,341 |
| **Total current liabilities** | | **217,542** | **217,843** |
| **Total liabilities** | | **466,497** | **361,715** |
| **Total equity and liabilities** | | **648,808** | **472,003** |

These consolidated financial statements were approved by the Board of Directors on 19 March 2021 and were signed on its behalf by:

S. E. Gordeev
*CEO*

E. S. Smakovskaya
*Vice-President for Economics and Finance – Financial Director*



The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 83.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2020

| mln RUB | Note | 2020 | 2019 |
|---|---|---|---|
| Revenue from sales of real estate properties accounted for at historical cost | | 219,274 | 170,054 |
| Revenue from sales of real estate properties acquired through business combinations and recognised at fair value at initial recognition | | 75,305 | 63,264 |
| Other revenue | | 85,582 | 47,317 |
| **Revenue** | 9 | **380,161** | **280,635** |
| Cost of sales of real estate properties accounted for at historical cost | | (149,993) | (113,913) |
| Cost of sales of real estate properties acquired through business combinations and recognised at fair value at initial recognition | | (61,794) | (53,933) |
| Cost of other sales | | (64,189) | (37,082) |
| **Cost of sales** | | **(275,976)** | **(204,928)** |
| Gross profit from sales of real estate properties accounted for at historical cost | | 69,281 | 56,141 |
| Gross profit from sales of real estate properties acquired through business combinations and recognised at fair value at initial recognition | | 13,511 | 9,331 |
| Gross profit from other sales | | 21,393 | 10,235 |
| **Gross profit** | | **104,185** | **75,707** |
| Net gain on disposal of subsidiaries, associates and investment property | 8 | 620 | 668 |
| Distribution expenses | | (6,264) | (8,125) |
| Administrative expenses | 12 | (10,755) | (10,631) |
| Profit/(loss) from change in fair value of investment property | 17 | 480 | (20) |
| Reversal of impairment losses on non-financial assets, net | 23 | 996 | 91 |
| Other (expenses)/income, net | 11 | (1,363) | 2,865 |
| **Profit from operating activities** | | **87,899** | **60,555** |



The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 83.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2020

| mln RUB | Note | 2020 | 2019 |
|---|---|---|---|
| Finance income | 10 | 28,369 | 7,695 |
| Finance costs | 10 | (8,213) | (3,701) |
| Significant financing component from contracts with customers | | (2,568) | (5,166) |
| **Profit/(loss) from financing activities** | | **17,588** | **(1,172)** |
| Share in losses of equity-accounted investees, net of income tax | | (212) | (145) |
| **Profit before income tax** | | **105,275** | **59,238** |
| Income tax expense | 14 | (18,782) | (14,125) |
| **Profit and total comprehensive income for the reporting period** | | **86,493** | **45,113** |
| *Attributable to:* | | | |
| Shareholders of the Company | | 86,381 | 44,900 |
| Non-controlling interests | 27 | 112 | 213 |
| **Profit and total comprehensive income for the reporting period** | | **86,493** | **45,113** |
| Basic and diluted profit per share, RUB | 25 (b) | **130.78** | **67.98** |



The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 83.

# Consolidated Statement of Changes in Equity for 2020

| mln RUB | Note | Attributable to equity holders of the Company: Share capital | Additional paid-in-capital | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2019** | | **41,295** | **(8,470)** | **45,370** | **78,195** | **1,868** | **80,063** |
| Profit for the reporting period | | - | - | 44,900 | **44,900** | 213 | **45,113** |
| **Total comprehensive income for the reporting period** | | **-** | **-** | **44,900** | **44,900** | **213** | **45,113** |
| **Transactions with owners of the Company** | | | | | | | |
| Acquisition of non-controlling interests without change in control | | - | - | - | **-** | (22) | **(22)** |
| Decrease of non-controlling interests due to the legal restructuring of subsidiaries | 27 | - | - | 692 | **692** | (692) | **-** |
| Acquisition of subsidiaries with non-controlling interest | | - | - | - | **-** | 271 | **271** |
| Disposal of subsidiaries with non-controlling interest | 8 | - | - | - | **-** | (137) | **(137)** |
| Dividends | 25 (a) | - | - | (15,000) | **(15,000)** | - | **(15,000)** |
| **Total transactions with owners of the Company** | | **-** | **-** | **(14,308)** | **(14,308)** | **(580)** | **(14,888)** |
| **Balance at 31 December 2019** | | **41,295** | **(8,470)** | **75,962** | **108,787** | **1,501** | **110,288** |



The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 83.

# Consolidated Statement of Changes in Equity for 2020

| mln RUB | Note | Share capital | Additional paid-in-capital | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders of the Company | | | | | |
| **Balance as at 1 January 2020** | | **41,295** | **(8,470)** | **75,962** | **108,787** | **1,501** | **110,288** |
| Profit for the reporting period | | - | - | 86,381 | **86,381** | 112 | **86,493** |
| **Total comprehensive income for the reporting period** | | **-** | **-** | **86,381** | **86,381** | **112** | **86,493** |
| **Transactions with owners of the Company** | | | | | | | |
| Acquisition of non-controlling interests without change in control | | - | - | - | - | (250) | **(250)** |
| Change in non-controlling interests due to the legal restructuring of subsidiaries | 27 | - | - | - | - | 313 | **313** |
| Other changes | 27 | - | - | - | - | 467 | **467** |
| Dividends | 25 (a) | - | - | (15,000) | **(15,000)** | - | **(15,000)** |
| **Total transactions with owners of the Company** | | **-** | **-** | **(15,000)** | **(15,000)** | **530** | **(14,470)** |
| **Balance at 31 December 2020** | | **41,295** | **(8,470)** | **147,343** | **180,168** | **2,143** | **182,311** |



The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 83.

# Consolidated Statement of Cash Flows for 2020

| mln RUB | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit for the reporting period** | | **86,493** | **45,113** |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment and amortisation of intangible assets | 15, 16 | 3,479 | 3,024 |
| Impairment gain on non-financial assets, net | 23 | (996) | (415) |
| Loss/(gain) from disposal of property, plant and equipment and other assets | 11 | 437 | (47) |
| Profit/(loss) from change in fair value of investment property | 17 | (480) | 20 |
| Net gain on disposal of subsidiaries, associates and investment property | 8 | (620) | (668) |
| Share in losses of equity-accounted investees, net of income tax | | 212 | 145 |
| Finance income | 10 | (28,369) | (7,695) |
| Finance costs | 10 | 8,213 | 3,701 |
| Income tax expense | 14 | 18,782 | 14,125 |
| Negative goodwill | 11 | (120) | (4,719) |
| | | **87,031** | **52,584** |
| **Changes in:** | | | |
| Inventories and other current assets | | (25,798) | (43,017) |
| Accounts receivable, including contract assets | | (84,309) | (29,421) |
| Accounts payable, including contract liabilities and changes in provision for taxes, other than income tax | | (14,175) | (2,583) |
| Provisions | | 2,086 | (3,670) |
| **Cash flows used in operations before income taxes and interest*** | | **(35,165)** | **(26,107)** |
| Income taxes paid | | (6,326) | (8,390) |
| Interest paid | | (9,089) | (8,659) |
| **Net cash used in operating activities** | | **(50,580)** | **(43,156)** |

* Cash flows from operating activities do not include funds placed on escrow accounts in the authorised banks by account holders (real estate customers) as a consideration paid under share participation agreements in the amount of RUB 77,580 million (2019: RUB 14,916 million).



The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 83.

# Consolidated Statement of Cash Flows for 2020

| mln RUB | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | 385 | 241 |
| Interest received | | 3,359 | 2,981 |
| Acquisition of property, plant and equipment and other intangible assets | | (3,168) | (4,150) |
| Acquisition of subsidiaries, net of cash acquired | 7 (a) | 274 | (1,437) |
| Acquisition of equity accounted investees, including advances issued for acquisition of investees | | (300) | (740) |
| Proceeds from disposal of associates and subsidiaries, net of cash | | 3,970 | 45 |
| Proceeds from disposal of investment property and prepayments received for the sale of investment property | | 4,883 | - |
| Loans issued | | (484) | (221) |
| Repayment of loans issued | | 314 | 268 |
| **Net cash from/(used in) investing activities** | | **9,233** | **(3,013)** |
| **Cash flows from financing activities** | | | |
| Payments for cash-settled financial instruments | 24 | (2,161) | (2,805) |
| Payments for lease liabilities | | (2,696) | (2,421) |
| Proceeds from borrowings | | 129,695 | 81,750 |
| Repayment of borrowings | | (37,612) | (4,082) |
| Proceeds from issuance of bonds | | 7,015 | 21,636 |
| Repurchase of bonds | | (7,430) | (25,271) |
| Acquisition of non-controlling interests without change in control | | (150) | (22) |
| Payment of dividends | 25 (a) | (15,000) | (15,000) |
| **Net cash from financing activities** | | **71,661** | **53,785** |
| Net increase in cash and cash equivalents | | 30,314 | 7,616 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 5 | (9) |
| Cash and cash equivalents at the beginning of the period | | 66,208 | 58,601 |
| **Cash and cash equivalents at the end of the period** | | **96,527** | **66,208** |



The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 83.

**Notes to the Consolidated Financial Statements for 2020**

# 1 General information

## (a) Organisation and operations

Public Joint Stock Company "PIK-specialized homebuilder" (previously PJSC Group of Companies PIK, the "Company") and its subsidiaries (together referred to as the "Group") comprise mostly joint stock companies and limited liability companies incorporated in the Russian Federation and companies incorporated in Cyprus. The Company was established as a privately owned enterprise in 1994. The Company's shares are traded on the Moscow Exchange.

The Company's registered office is Bldg 1, 19 Barrikadnaya Str., Moscow, 123242, Russian Federation.

The primary activities of the Group are construction of residential buildings and areas, sales of real estate properties; construction services; production of construction materials, including concrete panels, window frames and other construction elements, consumed mostly by the Group internally, heat supply; maintenance of apartment buildings. During 2020 and 2019 the Group primarily operated in Moscow, Moscow Region and insignificantly in some other regions of Russia.

As at 31 December 2020 and 31 December 2019, the Company was ultimately controlled by Mr. Sergey E. Gordeev.

## (b) Business environment

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

Since 2014, the United States of America, the European Union, and some other countries have imposed and gradually tightened economic sanctions with respect to Russian individuals and legal entities. The imposition of economic sanctions has resulted in increased economic uncertainty including more volatile equity markets, depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and significantly reduced availability of credit. The long-term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to evaluate.

At the beginning of 2020, the new coronavirus infection COVID-19 began to spread rapidly in the world. In March 2020, the World Health Organization (WHO) announced the beginning of a pandemic. Quarantine measures taken afterwards significantly affected the activities of many companies, including the suspension or shutdown of production, disruption of supply chains, staff quarantine and reduced demand.

Quarantine measures imposed by the authorities of the Russian Federation in the second quarter of 2020 included the introduction of non-working days, the suspension of trade and service companies. The Moscow government imposed temporary restrictions on construction works from 13 April 2020 to 12 May 2020.

Flexible construction technologies and own production facilities allowed the Group quickly resume construction works shortly after the lifting of the temporary ban on construction in Moscow and the Moscow Region.

Besides, in the first weeks after the restrictive measures had been introduced, the Group launched an online real estate sales service, including mortgage transactions, which helped maintain sales at an adequate level.

In 2020, in addition to the outbreak of the coronavirus infection, oil prices fell sharply, which in turn affected stock indices, led to a fall in the quotes of most stocks and financial instruments, as well as the decline in the Rouble value against other currencies.

Overall, the real estate market has proven to be a highly resilient sector, in contrast to other sectors that are suffering from the effects of the pandemic.

The quarantine measures and the decline in oil prices have led to a reduction in the disposable income of the population and an increase in the unemployment rate, giving rise to a risk of falling demand for real estate. At the same time, the Government of the Russian Federation implemented various measures to support both the construction industry and its customers, including the introduction of mortgage programmes with a preferential rate of 6.5% per annum (were in effect during the reporting period), which significantly boosted demand for real estate.

The uncertainty caused by the pandemic persists, and the Group may face an even greater impact of COVID-19 as a result of its negative impact on the global economy and financial markets. The significance of the impact of COVID-19 on the Group’s operations largely depends on the duration and spread of the virus impact on the global and Russian economy.

If demand for real estate decreases in the future, there may be restrictions on obtaining financing at preferential rates, the contract covenants may be violated, and increased costs may lead to a decline in the Group’s gross profit. Management estimates that these risks do not currently have a material impact on the Group’s results of operations.

The Group analysed various scenarios of the possible impact on the current operating environment, cash flows, and liquidity, including debt covenants. The analysis demonstrated the Group’s ability to continue as a going concern.

Besides, in response to a severe scenario of deterioration of the situation, management may take mitigating measures to reduce costs, optimize the Group’s cash flows and maintain liquidity:

- reducing secondary capital expenditures and delaying or eliminating discretionary spending; and
- ceasing the recruitment of secondary personnel; and
- reducing marketing costs.

Based on these factors, management reasonably expects that the Group has sufficient resources, and its credit facilities are appropriate. Management has sufficient grounds to expect that the Group has necessary resources to continue operation for at least the next 12 months and in the foreseeable future and that the going concern assumption remains reasonable.

The presented consolidated financial statements reflect management’s assessment of the impact of the Russian Federation’s business environment, as well as events related to the development of the coronavirus pandemic and measures taken by the government to constrain the further spread of the pandemic and mitigate its impact on the economy and the country’s population, on the operations and the financial position of the Group. Management reviewed current events and conditions that may cause significant uncertainty as to the Group’s going concern and concluded that there is no material uncertainty that could cause significant doubt about Group’s ability to continue as a going concern.

## 2 Basis of preparation of the Consolidated Financial Statements

***Statement of compliance with International Financial Reporting Standards***

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs). The Group’s significant accounting policies are set out in Note 37.

## 3 Functional and presentation currency of the Consolidated Financial Statements

The presentation currency of these consolidated financial statements is the Russian Rouble.

The functional currency for each Group entity is determined separately. For most businesses, the functional currency is the Russian Rouble, except for businesses located in the Republic of Cyprus, where transactions are insignificant. All numerical indicators in Roubles are rounded to the nearest million.

# 4 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods in which a change in a particular estimate will have an impact on the financial statements.

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

- note 1 (b) Business Environment – whether there are material uncertainties that may cause significant doubt about the entity’s ability to continue its operations as a going concern;
- note 7 Acquisition of Subsidiaries and Associates – classification of the acquisition of subsidiaries as an asset purchase or a business acquisition;
- notes 9 Revenue and 37 (b) Revenue from Contracts with Customers – whether revenue from real estate is recognised over time or at a point in time;
- note 16 Intangible Assets and Goodwill – useful lives of intangible assets;
- notes 23 Impairment Loss on Non-financial Assets and 37 (o) Impairment Loss – depreciation of inventories, impairment of advances issued, property, plant and equipment and intangible assets and goodwill;
- notes 28 Provisions and 37 (g) Provisions – the provision for onerous contracts, provision for the cost to complete, litigation provision, warranty and tax provisions;
- notes 21 Leases and 37 (m) Leases – determination of the lease term and liability amount;
- note 30 (b) Credit Risk – estimated provisions for trade receivables.

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

- note 7 Acquisition of Subsidiaries and Associates» – determination of the fair values at the acquisition date;
- note 9 Revenue – an estimate of expected revenue;
- note 14 Income Taxes – availability of future taxable profits against which tax losses carried forward can be set off;
- note 17 Investment Property – key assumptions regarding valuation of investment property;
- note 18 Inventories – key assumptions affecting the identification and determination of the amount of impairment;
- notes 23 Impairment Loss on Non-financial Assets» and 37 (o) Impairment Loss – key assumptions in determining a recoverable amount;
- note 24 Financial Instruments Measured at Fair Value through Profit and Loss – assumptions in determining at fair value;
- notes 28 Provisions, 31 Contingencies and 37 (g) Provisions – key assumptions regarding the likelihood and magnitude of an outflow of resources;
- note 37 (o) Impairment Loss – key assumptions regarding the measurement of an allowance for expected credit losses in respect of receivables and contractual assets.

# 5 Measurement of fair values

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

***Property, plant and equipment***

The fair value of property, plant and equipment (see note 15) recognised as a result of business combinations was based on market values. The market value of a property is the estimated amount for which the property could be exchanged on the date of valuation between market participants in an orderly transaction. The fair value of items of plant, equipment, fixtures and fittings was based on the market approach and cost approach, using quoted market prices for similar items when available and replacement cost when appropriate.

Where no quoted market prices were available, the fair value of property, plant and equipment was primarily determined on the basis of the replacement cost, taking into account accumulated depreciation. This method involved calculating the amount of costs required to reproduce or replace an asset which was then adjusted for the amount of decrease in its value caused by physical wear and tear, functional or economic reasons (including the use of the discounted cash flow method) and obsolescence.

***Investment property***

The fair value of investment property (see note 17) is based on valuations performed by external independent appraisers who hold recognised, recent and relevant professional qualifications. The fair value of investment property is determined by using the income or the comparative approaches selected individually for each specific investment property being valued.

The comparative approach is generally used in the assessment of land plots for which construction plans have not been developed. The income approach is applied in the valuation of properties leased out or intended for rent, and the land plots available for development where construction plans have been already developed.

***Intangible assets and goodwill***

The fair value of relations with clients (client base (see note 16)) acquired through business combination was determined with the use of income approach based on the multi-period excess earnings method, i.e. the net present value of cash flows after deducting all other assets and liabilities of the business. The client base is recognised as an intangible asset with an indefinite useful life, and is not amortised.

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

***Inventories***

The fair value of inventories (see note 18) acquired in business combinations was based on their estimated present selling price in the ordinary course of business less expected costs of completion and their sale to the end buyer by an independent market participant.

***Non-derivative financial liabilities***

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

***Financial instruments measured at fair value through profit and loss***

The fair value of financial instruments measured at fair value through profit and loss (see note 24), was determined on the basis of discounted cash flows expected to be received at the end of financial instruments contracts.

# 6 Operating segments

As at 31 December 2020, the Group defines six reporting segments which are its strategic business units:

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

The Group’s Management Board reviews internal management reports of each segment at least once a quarter.

There is some integration between the Development and Commercial construction reporting segments, as well as the Development and Maintenance reporting segments, including the provision of services for construction, operation of real estate, etc. As a rule, transaction prices between the segments are set on the same terms as for transactions between independent parties.

Below is information regarding the results of each of the reporting segments. The financial results of the Group’s operations are estimated based on segment gross profit indicators reflected in internal management reports, which are reviewed by the Group’s Management Board. Management believes that this information is most relevant when evaluating the performance of individual segments compared to other businesses operating in the same industry.

## (a) Profit and loss of segments

| | Development | | Commercial construction | | Maintenance | | Industrial segment | | Proptech | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **mln RUB** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| External revenues* | 299,251 | 233,478 | 48,311 | 26,644 | 24,233 | 16,192 | 3,363 | 2,376 | 2,936 | 963 | 2,067 | 982 | **380,161** | **280,635** |
| Inter-segment revenue | 4,477 | 1,396 | 25,228 | 12,620 | 4,111 | 2,205 | 35,404 | 37,290 | 29 | 17 | 177 | 154 | **69,426** | **53,682** |
| **Total revenue for reportable segments** | **303,728** | **234,874** | **73,539** | **39,264** | **28,344** | **18,397** | **38,767** | **39,666** | **2,965** | **980** | **2,244** | **1,136** | **449,587** | **334,317** |
| **Gross profit for reportable segment** | **87,700** | **65,620** | **8,036** | **4,730** | **7,320** | **4,588** | **478** | **406** | **426** | **55** | **225** | **308** | **104,185** | **75,707** |
| **Gross margin** | **29%** | **28%** | **17%** | **18%** | **30%** | **28%** | **14%** | **17%** | **15%** | **6%** | **11%** | **31%** | **27%** | **27%** |

* External revenue from the Development segment includes:

- revenue from sales of residential property recognised over time in the amount of RUB 275,579 million (2019: RUB 215,885 million);
- revenue from sales of non-residential property and parking spaces recognised over time in the amount of RUB 19 000 million (2019: RUB 17,433 million);
- other development revenue of RUB 4,672 million (2019: RUB 160 million).

### (b) Geographical information

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

Information about segment revenues is based on the geographical location of the respective segment's assets and presented below.

| mln RUB | 2020 | 2019 |
|---|---|---|
| Moscow | 250,113 | 177,082 |
| Moscow Region | 107,736 | 85,650 |
| Other Regions of Russia | 22,312 | 17,903 |
| | **380,161** | **280,635** |

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

| mln RUB | 2020 | 2019 |
|---|---|---|
| **Revenue** | | |
| Total revenue of reportable segments | 449,587 | 334,317 |
| Elimination of reportable inter-segment sales revenue | (69,426) | (53,682) |
| **Consolidated revenue** | **380,161** | **280,635** |
| | | |
| **Reconciliation of gross profit and profit before tax** | | |
| Adjusted reportable segments' gross profit | 104,185 | 75,707 |
| **Consolidated gross profit** | **104,185** | **75,707** |
| | | |
| **Unallocated amounts** | | |
| Gain on disposal of subsidiaries, associates and investment property, net | 620 | 668 |
| Distribution expenses | (6,264) | (8,125) |
| Administrative expenses | (10,755) | (10,631) |
| Profit/(loss) from change in fair value of investment property | 480 | (20) |
| Gain on reversal of impairment losses on non-financial assets, net | 996 | 91 |
| Other (expenses)/income, net | (1,363) | 2,865 |
| Finance income | 28,369 | 7,695 |
| Finance costs | (8,213) | (3,701) |
| Significant financing component from contracts with customers | (2,568) | (5,166) |
| Share of loss of equity accounted investees, net of income tax | (212) | (145) |
| **Consolidated profit before tax** | **105,275** | **59,238** |

In 2020 and 2019, no customer represented more than 10% of the Group's total revenue for the reporting period. Revenue of the Commercial construction segment was generated mainly from three customers, which accounted for approximately 81% of revenue of the segment. In 2020, revenue of the Maintenance segment from one customer accounts for 20.8% of the revenue of the segment, in 2019, revenue from one customer accounted for 21.98% of the same.

# 7 Acquisition of subsidiaries and associates

## (a) Acquisition of subsidiaries in 2020

In 2020, the Group entered into agreements with third parties to acquire a 70% share in two Russian companies, which provide contract services to design and construct external infrastructure facilities – water pipelines, sewerage systems, heating networks, as well as landscaping services. The Group was the main customer of these companies before the acquisition. The total consideration amounted to RUB 197 million and was paid in full in cash during 2020. As part of business combinations, the Group recognised assets and liabilities at fair value at the acquisition date, with such fair value determined by the independent appraiser engaged by management.

The independent appraiser applied the comparative method to evaluate property, plant, and equipment at the acquisition date, and the cost method was used to evaluate the remaining assets.

The following table summarises amounts recognised in respect of assets and liabilities acquired at the acquisition date, the fair value of the consideration paid, and the result of the acquisition of subsidiaries:

| **mln RUB** | **31 December 2020** |
|---|---|
| Property, plant and equipment | 326 |
| Intangible assets | 43 |
| Deferred tax assets | 6 |
| Inventories | 1,030 |
| Accounts receivable | 1,051 |
| *including accounts receivable of the Group companies* | *198* |
| Cash and cash equivalents | 471 |
| Other current assets | 2 |
| Deferred tax liabilities | (9) |
| Loans and borrowings | (92) |
| *including loans from the Group companies* | *(92)* |
| Accounts payable | (2,375) |
| *including accounts payable of the Group companies* | *(1,789)* |
| **Net identifiable assets, liabilities and contingent liabilities** | **453** |
| Negative goodwill from acquisition of subsidiaries | (120) |
| Non-controlling interest | (136) |
| **Total consideration** | **197** |
| Consideration paid | 197 |
| Cash acquired | (471) |
| **Acquisition of subsidiaries, net of cash acquired** | **(274)** |

## (b) Acquisition of subsidiaries in 2019

### *Acquisition of companies providing residential buildings’ maintenance services*

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

As a result of the acquisition, the Group recognised income from the acquisition of RUB 4,719 million.

As part of business combinations, for companies providing residential buildings’ maintenance services, the Group recognised identifiable intangible assets (client base) and property, plant and equipment at their fair values, which were determined by the independent appraiser engaged by the Group’s Management.

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

Fair values of identifiable intangible assets were measured based on the following assumptions and valuation techniques:

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

  - The revenue forecast was based on the management companies’ tariffs and service fees effective in 2019, adjusted for the consumer price index growth and areas under maintenance as at the valuation date;

  - The Client base disposal ratio was set at 1.5% per year;

  - The discount rate applied equaled the cost of equity of 15.3%;

  - The tax rate applied was the Russian statutory income tax rate of 20%.

***Acquisition of the company engaged in the provision of residential real estate rental services***

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

**(c) Acquisition of associates**

There were no material acquisitions of associates in 2020.

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

**(d) Acquisition of subsidiaries classified as a purchase of an asset**

The Group acquires land plots for development projects through the acquisition of control in respective companies, holding the land plots, and classifies such acquisitions as a purchase of an asset since these companies had no other significant assets, liabilities, profit or losses at the acquisition date. Accordingly, consideration paid or payable by the Group for the acquisition of these subsidiaries was recognised as the cost of construction-in-progress intended for sale (see note 18).

# 8 Disposals of subsidiaries, associates and investment property

In 2020 and 2019, for legal restructuring purposes after completion of construction, the Group sold companies included in the Development segment and Other segment companies, as well as assets held for sale (see note 7 (b)). Besides, in 2020, the Group sold its interests in two associates (services sector companies). The following table summarises the result of their disposal:

| mln RUB | 2020 | 2019 |
|---|---|---|
| Property, plant and equipment | (129) | (21) |
| Intangible assets | (7) | (2) |
| Investment property | - | (23) |
| Equity accounted investees | (1,399) | - |
| Inventories | (56) | (96) |
| Other investments | (41) | (729) |
| Income tax receivable | (133) | (389) |
| Accounts receivable, including contract assets | (1,202) | (8,368) |
| Assets held for sale | - | (2,911) |
| Deferred tax assets | (145) | (897) |
| Deffered tax liabilities | 88 | 1,038 |
| Loans and borrowings | 159 | 12 |
| Trade and other payables | 721 | 7,970 |
| Provisions | 58 | 1,425 |
| Income tax payable | - | 251 |
| **Net assets** | **(2,086)** | **(2,740)** |
| Non-controlling interest | - | 137 |
| **Receivable from the disposal of subsidiaries** | **88** | **3,226** |
| **Advances received in the previous period for the acquisition of companies** | **270** | **-** |
| **Consideration received in cash** | **2,789** | **141** |
| Cash and cash equivalents of disposed subsidiaries | (311) | (96) |
| **Gain on disposal of subsidiaries and associates, net** | **750** | **668** |
| | | |
| Loss on disposal of investment property, net | (130) | - |
| **Gain on disposal of subsidiaries, associates and investment property, net** | **620** | **668** |

# 9 Revenue

## (a) Disaggregation of revenue depending from timing of revenue

| mln RUB | 2020 | 2019 |
|---|---|---|
| **Revenue from sales of real estate and other development revenue** | **299,251** | **233,478** |
| Revenue from sales of residential properties recognised over time | 275,579 | 215,885 |
| Revenue from sales of non-residential premises and parking spaces recognised over time | 19,000 | 17,433 |
| Other development revenue | 4,672 | 160 |
| | | |
| **Revenue from other sales** | **80,910** | **47,157** |
| Revenue from other sales of goods and services recognised at a point in time | 8,366 | 4,321 |
| Revenue from construction services recognised over time | 48,311 | 26,644 |
| Revenue from maintenance services, recognised over time | 24,233 | 16,192 |
| **Total revenue from contracts with customers** | **380,161** | **280,635** |

***(i) Significant financing component, savings on interest expense and other components of the transaction price***

The significant financing component as part of the transaction price recognised in revenue for 2020 amounted to RUB 5,361 million (for 2019: RUB 7,170 million). There is no significant financing component in revenue from construction services as the period between the performance of the contract obligation and payment does not exceed 12 months and the Group uses a practical expedient with respect to this type of revenue (see note 37(b)).

The significant financing component in the transaction price in contracts with customers concluded in 2020, was calculated using interest rates from 5.7% to 9.3% (2019: from 8% to 9.6%).

The transaction prices in sales of properties involving the escrow accounts were determined taking into account savings on interest expense as a result of applying preferential interest rates compared to base rates stipulated in the credit facility agreements. Preferential interest rates are applied to amounts of project credit facilities covered by funds placed by customers on escrow accounts and are further reduced when the cash balances on escrow accounts exceed the amount of the loan received. As a result, the actual interest rate was less than 1% in certain periods. Base interest rates in 2020 varied from the key rate of the Central Bank of the Russian Federation by +1.6% to 9.9% (2019: from the key rate of the Central Bank of the Russian Federation by +2% to 9.9%). Savings on interest expense recognised in revenue in 2020 amounted to RUB 2 528 million (2019: RUB 260 million).

During 2020, the Group compensated banks with a certain part of interest expense on mortgage loans issued at a lower rate to customers of real estate sold by the Group. This refund was accounted for as a decrease of the consideration receivable under contracts with customers of real estate in the amount of RUB 2,673 million. The revenue was affected by RUB 1,960 million in 2020.

***(ii) Sales of real estate to settle obligations for the acquisition of land***

The Group recognises revenue from share participation agreements which have been concluded to settle obligations for acquired land plots. In 2020 of the effect of revenue being recognised from such contracts and certain contracts being terminated in the reporting period (note 9a (iii)) amounted to RUB 873 million of a net decrease in revenue from sales of real estate (2019: revenue amounted to RUB 210 million).

***(iii) Termination of contracts previously recognised in revenue***

In 2020 the Group reversed revenue, recognised in prior periods due to terminations of several share participation agreements in amounts of RUB 1,185 million (2019: RUB 1,064 million). Contracts were terminated mainly because payments were made in cash for the land plots, whereas it was initially agreed to settle the obligations by real estate properties. This applied to approximately 60% of all contract terminations. In addition, contracts were terminated based on mutual agreements between the parties where there were purchases of another property from elsewhere in the Group and violations of payments terms by customers as well as other reasons.

***(iv) Changes in progress towards complete satisfaction of the performance obligation under contracts with the customer***

During the reporting period, the Group reconsidered its approach to accounting for certain infrastructure facilities are being constructed as required by respective construction permits, which are not to be transferred into joint ownership of the customers. The absence of these facilities does not affect the ability of customers to move into and begin to use the completed houses. As a result, the Group's progress towards complete satisfaction of its performance obligations under contracts with customers changed compared to the percentage of completion applied when preparing the consolidated financial statements for 2019 by around 0.4%, which in turn led to an increase in gross margin in the current period by RUB 786 million.

During the reporting period, the Group revised several construction project budgets. As a result, the progress towards the complete satisfaction of performance obligations for certain contracts with customers increased by an average of 1.8% compared to the percentage of completion used in the preparation of the consolidated financial statements for 2019.

***(v) Other development revenue***

In 2020, other development revenue comprises the sale of two development projects at an early stage and before sales started (see note 18), to other developers, who will manage the construction with the Group being hired as a general constructor, with insignificant gross margin (2019 there were no such operations).

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

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Contract assets | 6,170 | 2,426 |
| Assets under contracts with customers involving escrow accounts | 61,478 | 7,718 |
| Contract related costs recognised as other current assets | 1,238 | 763 |
| Trade receivables | 264 | 581 |
| Contract liabilities | (62,965) | (93,153) |

Contract assets represent the Group's rights to receive cash consideration under contracts with customers where payments are made in installments and the progress of construction is ahead of the payment schedule. Contract liabilities within accounts payable include outstanding prepayments received under contracts with customers, recognised significant financing component and savings on interest expense.

As at 31 December 2020, the net amount of significant financing component as part of contract liabilities amounted to RUB 255 million (31 December 2019: RUB 624 million), savings on interest expense as part of contract liabilities amounted to RUB 995 million (31 December 2019: RUB 285 million).

Revenues with respect to uncompleted performance obligations at the end of the reporting period are expected to be recognised over the next three years. The total amount of performance obligations under contracts with customers concluded as at 31 December 2020 amounted to approximately RUB 97,886 million (31 December 2019: RUB 112,584 million). Revenues in approximate amount of RUB 83,402 million are expected to be recognised during the next 12 months with respect to performance obligations outstanding as at 31 December 2020 (31 December 2019: RUB 96,499 million).

In 2020, the Group recognise revenue of RUB 77,595 million under contracts with customers not completed as at 1 January 2020. In 2019, the Group recognised revenue of RUB 75,932 million with respect to contract liabilities as at 1 January 2019.

**(c) Assets and liabilities under contracts for the sale of other products and services**

Performance obligations and contract assets in sales of other services mainly arise from general contracting works and provision of technical customer services, as presented below:

| mln RUB | 31 december 2020 | 31 December 2019 |
|---|---|---|
| Trade receivables | 39,637 | 14,611 |
| Contract liabilities: | (17,676) | (9,322) |
| – contracts when revenue recognised at a point in time | (1,862) | (814) |
| – contracts when revenue recognised over time | (15,814) | (8,508) |

During the reporting period, the Group revised several construction budgets. As a result, progress towards complete satisfaction of the performance obligation increased by an average of 2% compared to the percentage of completion used in the preparation of the consolidated financial statements for 2019.

All contract liabilities outstanding at the end of the reporting period are expected to be recognised in revenue within one year. For most of the contracts, a significant financing component is not recognised as for this type of revenue the Group applies the practical expedient and the period between the payment receipt and the expected satisfaction of the obligation or its part does not exceed 12 months.

In 2020, the Group recognised revenue of RUB 7,498 million with respect to contract liabilities as at 1 January 2020. In 2019, the Group recognised revenue of RUB 7,233 million under contracts uncompleted as at 1 January 2019.

## 10 Finance income and costs

| mln RUB | 2020 | 2019 |
|---|---|---|
| Revaluation of cash-settled financial instruments (see note 24) | 21,840 | 3,138 |
| Interest income | 4,034 | 3,223 |
| Gain on modification of terms of a long-term financial instrument* | 2,300 | - |
| Foreign exchange gains, net | 24 | 31 |
| Write-off of accounts payable | 122 | 525 |
| Other finance income | 49 | 778 |
| **Finance income** | **28,369** | **7,695** |
| | | |
| Interest expense before capitalisation in inventories | (15,619) | (10,578) |
| Capitalised interest expense | 10,866 | 7,741 |
| **Total interest expense after capitalisation** | **(4,753)** | **(2,837)** |
| Loss on impairment of financial assets | (1,598) | (408) |
| Non-controlling interest's share of profit of the Group's limited liability companies | (308) | (346) |
| Other finance costs | (1,554) | (110) |
| **Finance costs** | **(8,213)** | **(3,701)** |
| **Net finance income for the period** | **20,156** | **3,994** |

*In 2020, the Group early repaid the long-term debt for land plots acquired in previous reporting periods and received an early payment discount because the seller had fulfilled certain arrangements. The effect of such early repayment was recognised in finance income in the reporting period.

### Capitalisation of interest expense and significant financing component

In 2020, interest expense, including the effect from savings on interest expense from the use of escrow accounts, and a significant financing component capitalised in inventories, was included in the cost of sales in the amount of RUB 8,496 million (2019: RUB 5,762 million).

Capitalised interest expense was included in the cost of sale of real estate properties in 2020 in the amount of RUB 8,272 million (2019: RUB 5,462 million), net of reversals of the previously recognised impairment losses on capitalised interest expense.

In 2020, the total effect of capitalisation of interest expense, including interest expense from realised savings from the use of escrow accounts, and of a significant financing component in the amount of construction-in-progress amounted to RUB 5,132 million (2019: RUB 4,624 million).

The weighted average capitalisation rate in 2020 was 8.3% (2019: 9.4%).

In 2020 interest expense before capitalisation in inventory included RUB 14,427 million of interest accrued on bank loans and bonds (2019: RUB 8,575 million).

In 2020, a significant financing component amounting to RUB 2,538 million (2019: RUB 2,345 million) was capitalised in inventories.

# 11 Other (expenses)/income, net

| mln RUB | 2020 | 2019 |
|---|---|---|
| Penalties and fines, including provision for litigation and claims | (1,038) | (1,858) |
| Charity | (12) | (66) |
| Gain on disposal of property, plant and equipment | (5) | (18) |
| Loss from write-off of intangible assets | (379) | - |
| Tax expenses | (27) | (443) |
| Result from sale and write-off of other assets | (432) | 65 |
| Other income, net | 410 | 466 |
| Negative goodwill from acquisition of subsidiaries (see notes 7(a),7(b)) | 120 | 4,719 |
| | **(1,363)** | **2,865** |

# 12 Administrative expenses

| mln RUB | 2020 | 2019 |
|---|---|---|
| Personnel costs | 5,765 | 6,181 |
| Professional and other services | 782 | 1,157 |
| Research and development | 1,097 | 640 |
| Taxes | 771 | 484 |
| Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets | 735 | 587 |
| Rent | 249 | 183 |
| Material costs | 585 | 536 |
| Other administrative expenses | 771 | 863 |
| | **10,755** | **10,631** |

# 13 Personnel costs

| mln RUB | 2020 | 2019 |
|---|---|---|
| **Salaries and wages** | | |
| Cost of sales | 25,658 | 20,191 |
| Administrative expenses | 4,761 | 5,197 |
| Distribution expenses | 1,384 | 1,525 |
| | **31,803** | **26,913** |
| **Social charges** | | |
| Cost of sales | 6,231 | 4,767 |
| Administrative expenses | 1,004 | 984 |
| Distribution expenses | 383 | 409 |
| | **7,618** | **6,160** |
| **Total** | **39,421** | **33,073** |

# 14 Income taxes

## (a) Amounts recognised in profit and loss

The Group’s applicable tax rate for income tax is 20% for Russian companies (2019: 20%). The subsidiaries located in Cyprus were taxed at a rate 12.5% (2019: 12.5%).

The income tax expense consists of the following:

| mln RUB | 2020 | 2019 |
|---|---|---|
| ***Current tax expense*** | | |
| Current income tax for the period | (10,002) | (8,065) |
| Underprovided in previous periods | (19) | (92) |
| Reversal/(accrual) of tax provision (see note 28) | 1,128 | (391) |
| | **(8,893)** | **(8,548)** |
| ***Deferred income tax expense*** | | |
| Origination and reversal of temporary differences | (9,889) | (5,577) |
| | **(9,889)** | **(5,577)** |
| **Total income tax expense** | **(18,782)** | **(14,125)** |

## (b) Reconciliation of effective tax rate

| mln RUB | 2020 | % | 2019 | % |
|---|---|---|---|---|
| Profit before income tax | 105,275 | 100 | 59,238 | 100 |
| Income tax expense at applicable tax rate | (21,055) | (20) | (11,847) | (20) |
| Recognition and use of tax assets for losses previously unrecognised | 1,468 | 1 | (715) | (1) |
| Underprovided in previous periods | (19) | - | (92) | - |
| Non-deductible expenses | (319) | - | (1,700) | (3) |
| Gain on bargain purchase of subsidiaries | 24 | - | 609 | 1 |
| Effect of tax rates in foreign jurisdictions | (9) | - | 11 | - |
| Reversal/(accrual) of tax provision | 1,128 | 1 | (391) | (1) |
| | **(18,782)** | **(18)** | **(14,125)** | **(24)** |

### (c) Recognised deferred tax assets and liabilities

| mln RUB | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| Property, plant and equipment | 1,786 | 1,919 | (1,568) | (1,546) | 218 | 373 |
| Investment property | 7 | 7 | (1,212) | (1,125) | (1,205) | (1,118) |
| Financial instruments measured at fair value through profit or loss | - | - | (5,276) | (907) | (5,276) | (907) |
| Other investments | 177 | 138 | (56) | (64) | 121 | 74 |
| Intangible assets and goodwill | 5 | 7 | (2,268) | (2,441) | (2,263) | (2,434) |
| Inventories | 5,730 | 4,297 | (31,570) | (23,665) | (25,840) | (19,368) |
| Accounts receivable, including contract assets | 2,477 | 1,002 | (1,295) | (983) | 1,182 | 19 |
| Accounts payable, including contract liabilities | 928 | 1,093 | (1,964) | (871) | (1,036) | 222 |
| Loans and borrowings | - | - | (64) | (65) | (64) | (65) |
| Tax loss carry-forwards | 5,097 | 3,941 | - | - | 5,097 | 3,941 |
| Tax assets/(liabilities) | 16,207 | 12,404 | (45,273) | (31,667) | (29,066) | (19,263) |
| Offsetting of tax | (11,460) | (11,811) | 11,460 | 11,811 | - | - |
| Deferred tax assets/(liabilities) | **4,747** | **593** | **(33,813)** | **(19,856)** | **(29,066)** | **(19,263)** |

### (d) Movement in deferred tax balances

| mln RUB | 1 January 2020 | Recognised in profit or loss | Effect of disposals | Effect of acquisitions* | 31 December 2020 |
|---|---|---|---|---|---|
| Property, plant and equipment | 373 | (145) | (12) | 2 | 218 |
| Investment property | (1,118) | (87) | - | - | (1,205) |
| Financial instruments measured at fair value through profit or loss | (907) | (4,369) | - | - | (5,276) |
| Other investments | 74 | 47 | - | - | 121 |
| Intangible assets and goodwill | (2,434) | 103 | 68 | - | (2,263) |
| Inventories | (19,368) | (6,418) | (54) | - | (25,840) |
| Accounts receivable, including contract assets | 19 | 1,146 | (17) | 34 | 1,182 |
| Accounts payable, including contract liabilities | 222 | (1,308) | (42) | 92 | (1,036) |
| Loans and borrowings | (65) | 1 | - | - | (64) |
| Tax loss carry-forwards | 3,941 | 1,141 | - | 15 | 5,097 |
| | **(19,263)** | **(9,889)** | **(57)** | **143** | **(29,066)** |

| mln RUB | 1 January 2019 | Recognised in profit or loss | Reclassifications | Effect of disposals | Effect of acquisitions* | 31 December 2019 |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 818 | (329) | - | (85) | (31) | 373 |
| Investment property | (2,315) | (339) | 1,528 | 8 | - | (1,118) |
| Financial instruments measured at fair value through profit or loss | (887) | (20) | - | - | - | (907) |
| Other investments | 506 | (212) | - | (225) | 5 | 74 |
| Intangible assets and goodwill | (53) | (223) | - | - | (2,158) | (2,434) |
| Inventories | (14,679) | (3,516) | (1,528) | 355 | - | (19,368) |
| Accounts receivable, including contract assets | 412 | (661) | - | 248 | 20 | 19 |
| Accounts payable, including contract liabilities | 451 | (464) | - | (21) | 256 | 222 |
| Loans and borrowings | (64) | - | - | - | (1) | (65) |
| Tax loss carry-forwards | 3,619 | 187 | - | (139) | 274 | 3,941 |
| | **(12,192)** | **(5,577)** | **-** | **141** | **(1,635)** | **(19,263)** |

* Including deferred taxes recognised on the acquisition of companies that own land plots, classified as the purchase of an asset rather than a business combination.

### (e) Unrecognised deferred tax assets

Deferred tax assets of RUB 6,932 million (31 December 2019: RUB 8,400 million) have not been recognised in respect of the deductible temporary differences and tax losses carried forward because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

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

As at 31 December 2020, the Group did not recognise a deferred tax liability related to temporary differences of RUB 244,257 million (31 December 2019: RUB 216,525 million) because the Group can control the dividend policy of subsidiaries and the timing of the reversal of temporary differences, or due to the zero rate of the applicable dividend tax.

# 15 Property, plant and equipment

| mln RUB | Buildings | Plant and equipment | Infrastructure facilities | Other fixed assets | Construction-in-progress | Total |
|---|---|---|---|---|---|---|
| ***Cost / Deemed cost*** | | | | | | |
| As at 1 January 2019 | **14,962** | **7,627** | **8,020** | **1,306** | **2,535** | **34,450** |
| Acquisitions through business combinations | 504 | 126 | - | 92 | 17 | 739 |
| Additions | 2,570 | 128 | - | 25 | 3,228 | 5,951 |
| Transfers from inventories | - | - | - | - | 3,937 | 3,937 |
| Disposals | (273) | (252) | (102) | (80) | (103) | (810) |
| Disposals of subsidiaries | (17) | (4) | - | (2) | (1) | (24) |
| Reclassifications to inventories | (71) | (6) | (9) | (17) | - | (103) |
| Reclassification between groups | 145 | (145) | - | - | - | - |
| Transfers | 864 | 584 | 2,550 | 371 | (4,369) | - |
| As at 31 December 2019 | **18,684** | **8,058** | **10,459** | **1,695** | **5,244** | **44,140** |
| Acquisitions through business combinations (see note 7(a)) | 11 | 298 | - | 17 | - | 326 |
| Additions | 209 | 131 | 6 | 5 | 3,439 | 3,790 |
| Transfers from inventories | - | - | - | - | 971 | 971 |
| Disposals | (122) | (409) | (229) | (75) | (165) | (1,000) |
| Disposals of subsidiaries | (44) | (5) | (61) | (1) | (114) | (225) |
| Reclassifications to inventories | - | - | - | - | (38) | (38) |
| Reclassification between groups | 88 | (75) | - | (13) | - | - |
| Transfers | 365 | 620 | 4,430 | 276 | (5,691) | - |
| As at 31 December 2020 | **19,191** | **8,618** | **14,605** | **1,904** | **3,646** | **47,964** |
| ***Accumulated depreciation and impairment losses*** | | | | | | |
| As at 1 January 2019 | **(4,070)** | **(2,341)** | **(1,113)** | **(663)** | **(74)** | **(8,261)** |
| Depreciation charge | (1,161) | (720) | (442) | (328) | - | (2,651) |
| Reversal of impairment | 689 | - | - | - | - | 689 |
| Disposals | 54 | 280 | 122 | 49 | - | 505 |
| Disposals of subsidiaries | 1 | 1 | - | 1 | - | 3 |
| Reclassifications to inventories | 17 | 1 | - | 10 | - | 28 |
| As at 31 December 2019 | **(4,470)** | **(2,779)** | **(1,433)** | **(931)** | **(74)** | **(9,687)** |
| Depreciation charge | (1,306) | (888) | (610) | (374) | - | (3,178) |
| Disposals | 62 | 181 | 41 | 67 | - | 351 |
| Disposals of subsidiaries | 10 | 3 | 9 | - | 74 | 96 |
| Reclassification between groups | (2) | 1 | - | 1 | - | - |
| As at 31 December 2020 | **(5,706)** | **(3,482)** | **(1,993)** | **(1,237)** | **-** | **(12,418)** |
| ***Net book value*** | | | | | | |
| As at 1 January 2019 | **10,892** | **5,286** | **6,907** | **643** | **2,461** | **26,189** |
| As at 31 December 2019 | **14,214** | **5,279** | **9,026** | **764** | **5,170** | **34,453** |
| As at 31 December 2020 | **13,485** | **5,136** | **12,612** | **667** | **3,646** | **35,546** |

The result of the impairment test for property, plant and equipment is described in Note 23 (a).

## (a) Depreciation expense

In 2020 depreciation expense of RUB 2,358 million was charged to cost of sales, RUB 128 million to distribution expenses, RUB 692 million to administrative expenses (2019: RUB 1,994 million, RUB 112 million, and RUB 545 million, respectively).

### (b) Right-of-use assets

As at 31 December 2020, the net book value of leased property, plant and equipment was RUB 2,139 million (31 December 2019: RUB 2,540 million).

The information about leases is disclosed in note 21.

### (c) Transfer from inventories

In 2020, the Group revised the further way of the usage of certain engineering infrastructure facilities and will use them in the Maintenance segment. These assets of RUB 794 million were transferred to property, plant and equipment from inventories (2019: RUB 3,715 million).

## 16 Intangible assets and goodwill

| mln RUB | Client base | Goodwill | Concession | Software | Other | Total |
|---|---|---|---|---|---|---|
| *Cost / Deemed cost* | | | | | | |
| As at 1 January 2019 | 539 | 197 | 367 | 493 | 669 | 2,265 |
| Acquisitions through business combinations | 11,102 | - | - | - | 22 | 11,124 |
| Additions | - | - | 253 | 266 | 374 | 893 |
| Disposals | - | - | - | (50) | (407) | (457) |
| Disposals of subsidiaries | (2) | - | - | - | - | (2) |
| Reclassification between groups | (306) | - | - | - | 306 | - |
| As at 31 December 2019 | **11,333** | **197** | **620** | **709** | **964** | **13,823** |
| Acquisitions through business combinations (see note 7(a)) | 43 | - | - | - | - | 43 |
| Additions | - | 67 | 191 | 332 | 656 | 1,246 |
| Disposals | (381) | - | - | (16) | (71) | (468) |
| Disposals of subsidiaries | - | - | - | - | (16) | (16) |
| Reclassification between groups | - | - | - | 21 | (21) | - |
| As at 31 December 2020 | **10,995** | **264** | **811** | **1,046** | **1,512** | **14,628** |
| ***Accumulated depreciation and impairment losses*** | | | | | | |
| As at 1 January 2019 | - | - | - | (47) | (337) | (384) |
| Amortisation charge | - | - | (23) | (48) | (302) | (373) |
| Disposals | - | - | - | 3 | 385 | 388 |
| As at 31 December 2019 | **-** | **-** | **(23)** | **(92)** | **(254)** | **(369)** |
| Amortisation charge | - | - | (27) | (47) | (227) | (301) |
| Disposals | - | - | - | 3 | 63 | **66** |
| Disposals of subsidiaries | - | - | - | - | 9 | **9** |
| As at 31 December 2020 | **-** | **-** | **(50)** | **(136)** | **(409)** | **(595)** |
| ***Net book value*** | | | | | | |
| As at 1 January 2019 | **539** | **197** | **367** | **446** | **332** | **1,881** |
| As at 31 December 2019 | **11,333** | **197** | **597** | **617** | **710** | **13,454** |
| As at 31 December 2020 | **10,995** | **264** | **761** | **910** | **1,103** | **14,033** |

The client base acquired in 2019 as a part of business combinations mainly relates to subsidiaries of the Maintenance segment that provides services to real estate properties and apartment rental services. The client base is mainly represented by contracts with apartments' owners. The Group considers it highly probable that these contracts' terms will be extended, and it is difficult to determine when the Group will cease to receive economic benefits from this asset. As a result, the client base is recognised as an intangible asset with indefinite useful life, and amortisation is not accrued.

The result of the impairment test for intangible assets is disclosed in Note 23 (d).

# 17 Investment property

## (a) Reconciliation of carrying amount

| mln RUB | 2020 | 2019 |
|---|---|---|
| **As at 1 January** | 6,626 | 18,086 |
| Reclassification to inventories | - | (11,412) |
| Change in fair value | 480 | (20) |
| Disposals | (226) | (28) |
| **As at 31 December** | **6,880** | **6,626** |

Investment property consists of land plots with undetermined use located in the Moscow Region. In 2020 positive change in fair value of these land plots amounted to RUB 480 million (2019: negative change – RUB 20 million).

## (b) Measurement of fair value

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

To determine the fair value of land plots in 2020 and 2019 the Group applied a comparative approach based on an analysis of all available information on sales of similar properties, while adjustments were made to reflect differences between market equivalent and the evaluated properties. Under this approach, current bids for land plots that are similar to those under valuation were analysed. Sales prices were adjusted for differences in characteristics between items under valuation and comparable land plots. The prices of similar properties were adjusted for bargaining, which resulted in a decrease in the price by an average of 11.5%; adjustments for a location resulted in a change in price from -13% to 8%; adjustments for area resulted in a change in price from -30% up to 30%. As at 31 December 2020, the fair value of these land plots estimated using the comparative method was RUB 6,880 million (31 December 2019: RUB 6,626 million). The fair value measurement of investment property was classified as Level 3 of the fair value hierarchy based on input data or the valuation methods used and the level of adjustments applied to market equivalents.

*Sensitivity analysis*

A decrease in the basic selling price by 5% in the comparative method measurement would decrease the fair value of investment property by RUB 362 million (31 December 2019: RUB 331 million). An increase of selling price by 5% would have an equal but opposite effect on the fair value of investment property.

# 18 Inventories

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Construction-in-progress, intended for sale, recognised at historical cost | 207,139 | 162,887 |
| Construction-in-progress, intended for sale, acquired through business acquisition | 54,176 | 74,960 |
| Finished goods and goods for resale | 22,243 | 20,523 |
| Raw materials and consumables | 10,362 | 7,735 |
| Right-of-use asset | 13,070 | 4,862 |
| | **306,990** | **270,967** |
| Impairment losses | (2,489) | (4,121) |

**Movement of the provision for impairment of inventories (see note 23 (b))**

| mln RUB | Construction-in-progress, intended for sale | Finished goods and goods for resale | Raw materials and consumables | Total |
|---|---|---|---|---|
| **As at 1 January 2020** | **(2,855)** | **(921)** | **(345)** | **(4,121)** |
| Additional provision | - | (1,067) | (326) | **(1,393)** |
| Release of provision | 1,605 | 155 | 302 | **2,062** |
| Transfers | 137 | (137) | - | - |
| Utilisation | 436 | 507 | - | **943** |
| Disposals | - | - | 20 | **20** |
| **As at 31 December 2020** | **(677)** | **(1,463)** | **(349)** | **(2,489)** |

A significant part of the construction-in-progress intended for sale and finished goods consists of costs to construct residential properties, commercial and parking spaces, as well as costs to aqcuire land, to build infrastructure and social facilities, allocated to properties which were not sold to customers and those that were sold to customers but costs were not fully recognised in cost of sales based on the percentage of completion.

In 2020, the Group purchased several land plots for future development in Moscow, Moscow Region and other Regions of Russia for the total amount of RUB 47,277 million mostly through the acquisition of control in companies that own these land plots, as well as land plots in the amount of RUB 9,423 million in the Group’s projects that are already under development. The companies had no other significant assets, liabilities and financial results as at the acquisition date. Therefore, the consideration paid by the Group for the acquisition of subsidiaries was accounted for in construction work in progress intended for sale. The payment was partially made in cash, the remaining amounts of RUB 1,637 million which is due to be paid within the next year were included in the current accounts payable for the acquisition of land plots, as well as RUB 11,511 million were included in the non-current accounts payable for acquisition of land plots.

Construction-in-progress in the amount of RUB 213,716 million relates to construction properties that will be completed in more than 12 months after the reporting date (31 December 2019: RUB 159,769 million).

In 2020, the Group sold two development projects with a carrying value of RUB 3,860 million to third-party developers.

## 19 Other investments

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| ***Non-current*** | | |
| Loans issued to third parties in RUB at fixed rates of 9.0% | - | 68 |
| Other investments | 1 | 2 |
| Bank deposits | 217 | 193 |
| | **218** | **263** |
| Impairment losses | (130) | (101) |
| ***Current*** | | |
| Loans issued to third parties in RUB at fixed rates of 7.0%-9.6% | 441 | 124 |
| Banks deposits | 13 | 93 |
| | **454** | **217** |
| Impairment losses | (130) | (229) |

As at 31 December 2020 and 31 December 2019 other investments are recognised at amortised cost (see note 30(b)).

## 20 Trade and other receivables including contract assets

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| ***Non-current*** | | |
| Accounts receivable for disposal of subsidiaries | 663 | 1,774 |
| | **663** | **1,774** |
| Impairment losses on financial assets (see note 30(b)) | (10) | (54) |
| ***Current*** | | |
| Trade receivables and contract assets for sale of real estate properties | 67,912 | 10,725 |
| Trade receivables for construction services | 24,706 | 2,936 |
| Trade receivables of Maintenance segment and other services | 12,690 | 9,083 |
| Trade receivables for the other sales | 2,344 | 2,666 |
| Advances issued to suppliers and contractors in development | 5,368 | 9,709 |
| Advances issued to suppliers and contractors in construction services | 3,259 | 4,287 |
| Advances isued for acquisition of land plots/right-of-use assets, including acquisition of subsidiaries | 10,390 | 6,451 |
| Advances issued to other suppliers and contractors | 7,721 | 6,337 |
| Taxes receivable | 4,231 | 6,566 |
| Accounts receivable from the sale of interests in subsidiaries and associates | 1,387 | 1,372 |
| Other accounts receivable | 5,333 | 3,998 |
| | **145,341** | **64,130** |
| Impairment losses on financial assets (see note 30(b)) | (3,133) | (1,986) |
| Impairment losses on non-financial assets (see note 23) | (1,503) | (1,517) |

Advances issued in 2020 for the acquisition of land plots in the amount of RUB 9,272 million (2019: RUB 6,044 million) are accounted within changes in accounts receivable, including contract assets.

## 21 Leases

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

During 2020, the change in the right-of-use asset is presented in the table below:

| mln RUB | Land plots | Buildings and constructions | Equipment | Other | Total |
|---|---|---|---|---|---|
| **As at 1 January 2020** | **4,862** | **2,205** | **190** | **81** | **7,338** |
| New contracts | 7,231 | 290 | 285 | 31 | 7,837 |
| Modifications of contracts | 2,612 | (206) | (57) | - | 2,349 |
| Accrued to cost of sales | (1,635) | (173) | (84) | (22) | (1,914) |
| Amortisation recognised in administrative expenses | - | (401) | - | - | (401) |
| **As at 31 December 2020** | **13,070** | **1,715** | **334** | **90** | **15,209** |

During 2020, the change in lease liabilities is presented in the table below:

| mln RUB | Land plots | Buildings and constructions | Equipment | Other | Total |
|---|---|---|---|---|---|
| **As at 1 January 2020** | **4,178** | **2,204** | **161** | **81** | **6,624** |
| New contracts | 7,231 | 290 | 285 | 31 | 7,837 |
| Modifications of contracts | 2,615 | (324) | (61) | (1) | 2,229 |
| Interest expenses on lease liabilitiess | 619 | 170 | 23 | 7 | 819 |
| Lease payments, including offsets | (2,801) | (574) | (132) | (39) | (3,546) |
| **As at 31 December 2020** | **11,842** | **1,766** | **276** | **79** | **13,963** |

During 2019, the change in the right-of-use asset is presented in the table below:

| mln RUB | Land plots | Buildings and constructions | Equipment | Other | Total |
|---|---|---|---|---|---|
| **As at 1 January 2019** | **3,341** | **84** | **-** | **-** | **3,425** |
| New contracts | 1,882 | 2,382 | 220 | 93 | 4,577 |
| Modifications of contracts | 2,220 | 38 | - | - | 2,258 |
| Acquisitions through business combinations | - | 205 | - | - | 205 |
| Accrued to cost of sales | (2,190) | (222) | (30) | (6) | (2,448) |
| Amortisation recognised in administrative expenses | - | (282) | - | (6) | (288) |
| Reclassification to construction-in-progress | (391) | - | - | - | (391) |
| **As at 31 December 2019** | **4,862** | **2,205** | **190** | **81** | **7,338** |

During 2019, the change in lease liabilities is presented in the table below:

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

The Group ceased to lease certain office properties since some employees were transferred to remote work. As a result, lease agreements were terminated and recognised as modifications of the lease agreements. These modifications did not have a significant impact on the results of the Group in the current period.

Additional agreements to amend the terms of a purchase of land plots in lease contracts were significant factors for the modification of assets and liabilities under lease agreements in 2020.

Lease costs with variable lease payments that are not accounted for as right-of-use assets and liabilities under IFRS 16 "Leases" in the statement of financial position were capitalised in construction-in-progress in the amount of RUB 1,833 million and reflected in expenses for the period in the amount of RUB 83 million (2019: RUB 1,543 million and RUB 90 million respectively).

The Group estimates that, as at 31 December 2020, the future lease costs with variable rates tentatively for the period 2021 to 2032 will amount to RUB 12,926 million (31 December 2019: RUB 11,794 million). Future costs mainly consist of the cost of land leased for development.

The lease liability terms as at 31 December 2020 and 31 December 2019 are presented in the table below.

| Discount rate, % | Lease term | Land plots | Property and plant | Equipment | Other | Total |
|---|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | | |
| 7.5% - 11% | 2020 | 573 | 107 | 5 | 3 | 688 |
| 7.9% - 11% | 2021 | 522 | 130 | 25 | 5 | 682 |
| 7.51% - 9.5% | 2022 | 943 | 165 | 44 | 35 | 1,187 |
| 11% | 2022 - 2026 | - | 132 | - | - | 132 |
| 8.3% - 9.2% | 2023 | 303 | 236 | 20 | - | 559 |
| 8.3% - 9.3% | 2024 | 661 | 988 | 6 | 29 | 1,684 |
| 8.3% - 9.3% | 2025 | 1,129 | - | - | - | 1,129 |
| 8.6% - 9.8% | 2026 - 2030 | 39 | 445 | - | 9 | 493 |
| 10% - 11% | 2033 - 2045 | 8 | 1 | 61 | - | 70 |
| **Total:** | | **4,178** | **2,204** | **161** | **81** | **6,624** |
| | | | | | | |
| **As at 31 December 2020** | | | | | | |
| 5.8% - 8.2% | 2021 | 155 | 42 | 7 | 3 | 207 |
| 8.21% - 11% | 2021 | 594 | 57 | 2 | - | 653 |
| 6% - 7.5% | 2022 | 313 | 61 | 2 | 2 | 378 |
| 7.51% - 9.1% | 2022 | 875 | 61 | 54 | 9 | 999 |
| 6% - 7.5% | 2023 | 855 | 4 | 49 | - | 908 |
| 7.51% - 9.1% | 2023 | 742 | 225 | 20 | 28 | 1,015 |
| 6.7% - 9.3% | 2024 | 1,779 | 758 | 135 | 23 | 2,695 |
| 6.7% - 9.3% | 2025 | 941 | 7 | 7 | - | 955 |
| 7.2% - 8.8% | 2026 | 5,588 | - | - | - | 5,588 |
| 7.4% - 9.8% | 2027 - 2030 | - | 490 | - | 8 | 498 |
| 10% - 11% | 2033 - 2054 | - | 61 | - | 6 | 67 |
| **Total:** | | **11,842** | **1,766** | **276** | **79** | **13,963** |

## 22 Cash and cash equivalents

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Cash on hand | 1 | 1 |
| Cash in banks | 96,085 | 65,862 |
| Restricted cash | 441 | 345 |
| **Cash and cash equivalents** | **96,527** | **66,208** |

### *Cash balance on escrow accounts (for reference only)*

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Escrow accounts | 90,303 | 16,061 |

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

In 2020, cash receipts to escrow accounts amounted to RUB 77,580 million (2019: RUB 14,916 million).

In 2020, as the Group completed the construction of real estate properties, where apartments were sold using escrow accounts, according to the legislation, the Group became entitled to receive cash placed on escrow accounts in the amount of RUB 3,338 million, of which RUB 1,783 million was set off against the project finance liability, and RUB 51 million was used to pay the interest due under the project finance liability.

As at 31 December 2020, cash amounting to RUB 49,240 million was placed on special bank accounts which are subject to special banking control (31 December 2019: RUB 24,572 million) pursuant to Federal Law No. 214-FZ.

The Group's exposure to interest rate risk and sensitivity analysis of financial assets and liabilities are disclosed in Note 30.

## 23 Impairment loss on non-financial assets

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

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

### (a) Property, plant and equipment

The Group analysed property, plant and equipment for impairment as at 31 December 2020 and as at 31 December 2019 and did not identify any evidence of impairment at both reporting dates due to an increase in prices for properties for the construction of the majority of the Group's PPE is employed, and no operating losses in the Maintenance segment.

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

### (b) Inventories

In most cases, the Group used the discounted cash flows method and engaged an independent appraiser to estimate the net realisable value of the Group's work in progress at the reporting dates. As a result of the coronavirus pandemic, some projects' development schedules, including construction terms and sales pace, were adjusted, thus impacting cash flow forecasts for these projects. The coronavirus pandemic did not have a significant negative impact on the key assumptions used in calculating discounted cash flows (for example, contract volumes and average sales prices) due to government support measures for the construction industry, marketing campaigns launched by the Group and the Group's digital technologies backing online sales, including mortgage transactions.

The following key assumptions of the discounted cash flow method were used in determining the net realisable value of construction-in-progress:

- Cash flows were projected for each significant project individually;
- The expected selling prices for apartments were based on market prices effective in December 2020 for similar real estate;
- The final expected cost of construction was forecasted based on cost per square meter and construction pace for similar projects of the Group in December 2020;
- An average pre-tax discount rate of 7-16% was applied to cash flows depending on the stage of the project and construction financing schemes.

Based on the results of impairment testing in 2020, a provision for inventory impairment of RUB 1,393 million was created in the cost of sales, and an inventory in the amount of RUB 262 million was written-off (2019: RUB 216 million). The provision of RUB 943 million was used due to the completion of the projects or sales of finished products (2019: a provision of RUB 251 million was reversed). Also, the Group reversed the impairment of three development projects of RUB 2,062 million, including RUB 1,058 million at the cost of current projects, due to the favorable economic situation, which resulted to an increase in prices and sales rates in the real estate market. Thus, the net impairment loss included in the cost of sales amounted to RUB 380 million (2019: RUB 324 million).

*Sensitivity analysis*

The management determined the discount rate and the estimated selling prices as key assumptions subject to reasonable change that could have a significant impact on the recoverable value of inventories.

A reduction in the selling price by 5% would lead to RUB 570 million of additional impairment of construction-in-progress as at 31 December 2020 (31 December 2019: RUB 350 million).

An increase in the discount rate by 1 percentage point would lead to RUB 140 million of additional impairment of construction-in-progress as at 31 December 2020 (31 December 2019: RUB 34 million).

**(c) Advances issued**

Advances issued on newly acquired projects are tested for impairment as part of the project return analysis before acquisition. Advances issued for projects under construction are tested for impairment as part of the assessment of the net realisable value of construction-in-progress using the discounted cash flow method and with the help of an independent appraiser.

**(d) Intangible assets and goodwill**

The Group analysed intangible assets for any indications of impairment as at 31 December 2020 and 31 December 2019 and determined that there were no indications of impairment. The current economic environment did not affect the actual versus projected operating performance and the forecasts used in assessing the recoverability of the client base and goodwill.

***(i) The client base of companies providing housing and utility services***

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

- The revenue forecast was based on the tariffs and service prices in 2020, taking into account the growth of the consumer price index and the volume of serviced areas acquired and available at the date of assessment;
- The cash flow forecasting period was 5 years;
- The terminal growth rate of cash flows was 1.6%;
- A discount rate of 15.3% was applied;
- The applicable income tax rate was equaled to the statutory rate of 20%.

*Sensitivity analysis*

The management identified the discount rate, EBITDA margin and client base retirement ratio as the key assumptions subject to reasonable change.

An increase/decrease by 1 percentage point in each of these assumptions individually would not result in an additional impairment of intangible assets as at 31 December 2020. In 2019, no impairment testing and sensitivity analysis was performed, as the asset was acquired in the second half of 2019.

**Impairment testing results and write-offs**

| | | 31 December 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|---|
| **mln RUB** | **Note** | **Gross carrying value** | **Impairment/ write-off** | **Carrying value after impairment** | **Gross carrying value** | **Impairment/ write-off** | **Carrying value after impairment** |
| Property, plant and equipment | 15 | 36,319 | (773) | 35,546 | 35,304 | (851) | 34,453 |
| Intangible assets and goodwill | 16 | 14,033 | - | 14,033 | 13,454 | - | 13,454 |
| Inventory | 18 | 309,479 | (2,489) | 306,990 | 275,088 | (4,121) | 270,967 |
| Advances issued | 20 | 28,241 | (1,503) | 26,738 | 28,301 | (1,517) | 26,784 |
| **Total** | | **388,072** | **(4,765)** | **383,307** | **352,147** | **(6,489)** | **345,658** |

### (e) Impairment losses and reversal of impairment losses recognised in the consolidated statement of profit or loss and other comprehensive income

| **mln RUB** | **2020** | **2019** |
|---|---|---|
| **Impairment losses** | | |
| Inventories | (47) | (62) |
| Advances issued | (369) | (966) |
| | **(416)** | **(1,028)** |
| **Reversal of impairment losses** | | |
| Property, plant and equipment | - | 689 |
| Advances issued | 341 | 400 |
| Inventories | 1,071 | 30 |
| | **1,412** | **1,119** |
| | **996** | **91** |

In 2020, impairment losses relating to property, plant and equipment in the amount of RUB 78 million and advances issued in the amount of RUB 42 million were written off against the disposal of related assets (2019: RUB 165 million and RUB 83 million respectively).

## 24 Financial instruments measured at fair value through profit and loss

As at reporting date Group's assets include two cash-settled financial instruments:

- under the agreement with the Bank (information about the Bank is disclosed in note 34) entered into in June 2017, simultaneously with the sale of own global depositary receipts purchased in the open market ("cash-settled financial instruments executed in June 2017") with original date of maturity at 29 June 2020 and in 2020 extended until 29 June 2021.
- under the agreement with the Bank, entered into in May 2018, no own GDRs have been sold by the Group ("cash-settled financial instruments executed in May 2018").

Under the terms of the cash-settled financial instruments, the parties compensate the difference between the agreed share price and the market value of the Group's shares at the settlement date of the contracts, adjusted for the interim payments and dividends paid.

In 2020, the change in the value of financial instruments measured at fair value was as follows:

| mln RUB | Cash-settled financial instrument executed in June 2017 | Cash-settled financial instrument executed in May 2018 | Total |
|---|---|---|---|
| **Fair value as at 31 December 2019** | **5,001** | **5,376** | **10,377** |
| Quarterly interim payments | 1,090 | 1,071 | 2,161 |
| Change in fair value | 9,886 | 11,954 | 21,840 |
| **Fair value as at 31 December 2020** | **15,977** | **18,401** | **34,378** |

As at 31 December 2020, the fair value of cash-settled financial instruments was determined based on the following key assumptions and contract terms:

| | Cash-settled financial instrument executed in June 2017 | Cash-settled financial instrument executed in May 2018 |
|---|---|---|
| Number of shares in the agreement: | 49 990 198 | 60 137 070 |
| Share price used in the calculation: | 587.29 RUB (as at 31 December 2019: 392.46 RUB) | |
| Quarterly interim payment interest rate: | key rate of Central Bank of Russian Federation+2.2% | key rate of Central Bank of Russian Federation+1.8% |
| Date of expiration: | 29 June 2021 | 31 May 2021 |
| Maximum contract prolongation term initiated by one of the parties: | every 6 months. but no later than 31 January 2023 | |
| Risk-free rate: | 4.23% (as at 31 December 2019: 5.8%) | 4.20% (as at 31 December 2019: 5.9%) |
| Discount rate adjusted for credit risk: | 6.83%) | 4.59% (as at 31 December 2019: 7.1%) |
| Annual discount rate for interim payment: | 6.36% (as at 31 December 2019: 7.8%) | 6.4% (as at 31 December 2019: 8.1%) |

*Sensitivity analysis*

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

- For the agreement entered into in June 2017 by RUB 1,453 million (31 December 2019: by RUB 972 million);
- For the agreement entered into in May 2018 by RUB 1,751 million (31 December 2019: by RUB 1,142 million).

Sensitivity analysis to changes in discount rates indicated no significant impact on the fair value of the cash-settled financial instruments.

# 25 Equity

## (a) Dividends

Under the Russian legislation, the Company's reserves available for distribution are limited to retained earnings as recognised in the Company's statutory financial statements prepared following the Russian Accounting Principles.

In August 2020 dividends of RUB 15,000 million (RUB 22.71 per share) were declared and approved. The declared dividends were paid in full in October 2020.

In May 2019 dividends of RUB 15,000 million (RUB 22.71 per share) were declared and approved. The declared dividends were paid in full in June 2019.

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

The calculation of earnings per share is based on the profit for the year attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares that were in circulation during the year, in the amount of 660 497 344 shares (2019: 660 497 344 shares). The Company has no ordinary shares with a potential dilutive effect.

## 26 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk refer note 30.

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| ***Non-current*** | | |
| Bonds, net of those purchased by the Group | 36,739 | 39,850 |
| Unsecured bank loans | 4,473 | 17 |
| Unsecured loans received | 115 | - |
| Project financing | 146,597 | 62,000 |
| Secured bank loans | 6,216 | 6,996 |
| Interest payable | 3,189 | 745 |
| | **197,329** | **109,608** |
| ***Current*** | | |
| Bonds, net of those purchased by the Group | 12,666 | 9,902 |
| Unsecured bank loans | - | 4,508 |
| Unsecured loans received | 103 | - |
| Project financing | 16,679 | 13,197 |
| Secured bank loans | 2,521 | 1,208 |
| Interest payable | 2,797 | 1,124 |
| | **34,766** | **29,939** |
| | **232,095** | **139,547** |

As at 31 December 2020 and 31 December 2019 the bank loans and project financing were secured with:

- lease/ownership rights of land plots with a total area of 912 ha (31 December 2019: 844.4 ha) and carrying amount of RUB 66,406 million (31 December 2019: RUB 57,832 million);

- shares of certain subsidiaries of the Group:

| | Ownership interest | |
|---|---|---|
| | 31 December 2020 | 31 December 2019 |
| LLC PIK-Broker (LLC Metronome) | 100% | 100% |
| CJSC Stroybusinesscenter | 100% | 100% |
| LLC Tyrone | 99.999% | 99.999% |
| JSC Spetsialyzirovany Zastroyschik Kuntsevo-Invest | 100% | - |
| JSC Production and trade complex Zelenogradsky | 100% | - |
| LLC Spetsialyzirovany Zastroyschik Legro | 100% | 100% |
| JSC Spetsialyzirovany Zastroyschik Stolichny kompleks | 100% | 100% |
| JSC Port-City | 100% | 100% |
| JSC Spetsialyzirovany Zastroyschik Lzsmik | 99.9999% | 99.9999% |
| JSC Spetsialyzirovany Zastroyschik M.Stroy | 100% | 100% |
| LLC Spetsialyzirovany Zastroyschik Volokolamskoye shosse 24 (LLC Agramant) | 100% | 100% |
| LLC Spetsialyzirovany Zastroyschik Bolshaya Ochakovskaya (LLC KSSK) | 100% | 100% |
| LLC Sacramento-2 | 100% | 100% |
| JSC Spetsialyzirovany Zastroyschik Krasnokazarmennaya 15 (JSC Khlebozavod № 12) | 99.028% | 99.028% |
| CJSC Spetsialyzirovany Zastroyschik Monetchik | 99% | - |
| LLC Archecom | 100% | 100% |
| JSC Spetsialyzirovany Zastroyschik Volzhsky Park (JSC Grayvoronovo) | 100% | 100% |
| LLC SZ GradOlymp | 99.9% | 99.9% |
| LLC Meridian | 100% | 100% |
| LLC Ereda | 100% | 100% |
| LLC Coronella | 100% | 100% |
| JSC Galaktik Invest | 100% | 100% |
| LLC Spetsialyzirovany Zastroyschik Solntsevo Park | 100% | 100% |
| LLC Spetsialyzirovany Zastroyschik Likhobory | 100% | - |
| LLC Ground | 100% | 100% |
| JSC Trial Service | 100% | - |
| JSC Torgovy Dom Sputnik | 100% | - |
| LLC SZ Serednevo | 100% | - |
| JSC Spetsialyzirovany Zastroyschik Perovskoye | 100% | - |
| LLC Globus | 100% | - |
| LLC SZ Pik-Primorye | 100% | - |
| LLC Parasang systems | 100% | - |
| LLC SZ Chasovaya | 99.9% | - |
| LLC Spetsialyzirovany Zastroyschik Stroy-Expert | 100% | - |
| JSC Spetsialyzirovany Zastroyschik Novokhokhlovskaya 15 | 100% | - |
| JSC Spetsialyzirovany Zastroyschik Presnensky Val 27 | 100% | - |
| LLC Spetsialyzirovany Zastroyschik Kantemirovskaya | 100% | - |
| LLC Lotan | 100% | - |
| JSC Dosflota | - | 100% |
| JSC Spetsialyzirovany Zastroyschik Filit | - | 100% |
| JSC Buildingovaya Companiya | - | 100% |
| JSC Mezhregionalny Processingovy Center | - | 100% |
| LLC Monumental | - | 100% |
| JSC Novaya Integratsiya | - | 100% |
| JSC Extra Com | - | 100% |

**Issue and redemption of bonds**

In March 2020 the Group redeemed bonds with the coupon rate of 13% for RUB 3,890 million through an offer at the market. The outstanding bonds amounted to RUB 2,475 million and have a maturity date in February 2022 and a coupon rate equaled to the key rate of the Central Bank of the Russian Federation + 1.4%.

In September 2020, the Group placed bonds in the amount of RUB 7,000 million with a maturity date on 29 March 2023. The coupon rate was set at 7.4%. The frequency of coupon payments is once a quarter.

The bonds’ maturities, including offers, are presented in the table below. Depending on the terms of the issue coupon payments are made quarterly or semi-annually.

The terms of financial liabilities as at 31 December 2020 did not significantly change compared to those disclosed as at 31 December 2019 in the consolidated financial statements for 2019, except for new loans and borrowings as indicated below.

| | | | | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|---|---|---|
| **mln RUB** | **Currency** | **Nominal rate, %** | **Maturity** | **Nominal value** | **Carrying value** | **Nominal value** | **Carrying value** |
| Project financing | RUB | 9.75%-10.75% | 2021 | 3,398 | 3,398 | 10,932 | 10,893 |
| Project financing | RUB | 10.78%-12% | 2025 | - | - | 21,280 | 21,144 |
| Project financing | RUB | From the key interest rate+2% to the key interest rate+4% | 2021-2026 | 82,253 | 82,222 | 11,500 | 11,500 |
| Project financing | RUB | Variable interest rate* | 2023-2031 | 79,490 | 77,656 | 31,660 | 31,660 |
| Secured bank loans | RUB | Key interest rate+1.95% | 2026 | 2,887 | 2,887 | 2,964 | 2,965 |
| Secured bank loans | RUB | From the key interest rate+2.2% to the key interest rate+2.7% | 2022-2025 | 5,850 | 5,850 | 5,239 | 5,239 |
| Unsecured bank loans | RUB | Key interest rate+1.45% | 2022 | 4,500 | 4,473 | 4,500 | 4,525 |
| Unsecured bank loans | RUB | Key interest rate+3.5% | 2022 | - | - | - | - |
| Unsecured loans received | RUB | 5% | 2023 | 115 | 115 | - | - |
| Unsecured loans received | RUB | 9.50%-10.5% | 2021 | 103 | 103 | - | - |
| Bonds | RUB | 7.40%-11.25% | 2021-2024 | 32,990 | 32,886 | 29,175 | 29,007 |
| Bonds | RUB | 13% | 2022 | - | - | 6,365 | 6,362 |
| Bonds | RUB | Key interest rate+0.5% | 2028 | 7,000 | 7,000 | 7,000 | 6,999 |
| Bonds | RUB | Key interest rate+1.4% | 2022 | 2,475 | 2,475 | - | - |
| Bonds | RUB | Key interest rate+1.45% | 2021 | 6,000 | 5,884 | 6,000 | 5,884 |
| Bonds | RUB | Key interest rate+1.5% | 2023 | 1,160 | 1,160 | 1,500 | 1,500 |
| | | | | **228,221** | **226,109** | **138,115** | **137,678** |

* variable effective rates in the range for basic rates from the key rate of the Central Bank of the Russian Federation + 1.6% with capitalisation up to 9.9%, with no payments of both interest and principle till maturity (31 December 2019: in the range for basic rates from the key rate of the Central Bank of the Russian Federation + 2% with capitalisation up to 9.9%, with no payments of both interest and principle till maturity), and adjusted depending on cash balances placed by customers on the escrow accounts.

The fair value of the bonds outstanding is disclosed in note 30 (e).

## Reconciliation of changes of liabilities/assets and cash flows arising from financing activities

| mln RUB | Bonds, net of those purchased by the Group | Loans and borrowings | Lease liabilities | Financial instruments measured at fair value through profit and loss | Non-controlling interest | Dividends | Total |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2020** | **50,533** | **89,014** | **6,624** | **(10,377)** | **1,501** | **-** | **137,295** |
| Proceeds | 7,015 | 129,695 | - | - | - | - | 136,710 |
| Payments | (7,430) | (37,612) | (2,696) | (2,161) | (150) | (15,000) | (65,049) |
| **Net cash from financing activities** | **(415)** | **92,083** | **(2,696)** | **(2,161)** | **(150)** | **(15,000)** | **71,661** |
| Interest accrued | 4,449 | 9,978 | 819 | - | - | - | 15,246 |
| Interest paid | (4,496) | (3,774) | (819) | - | - | - | (9,089) |
| New lease contracts | - | - | 7,837 | - | - | - | 7,837 |
| Lease modifications | - | - | 2,229 | - | - | - | 2,229 |
| Offsets under lease agreements | - | - | (31) | - | - | - | (31) |
| Revaluation of cash-settled financial instruments | - | - | - | (21,840) | - | - | (21,840) |
| Accrual of dividends | - | - | - | - | - | 15,000 | 15,000 |
| Acquisitions of subsidiaries | - | - | - | - | - | - | - |
| Profit for the period | - | - | - | - | 112 | - | 112 |
| Change in non-controlling interest due to the restructuring of subsidiaries | - | - | - | - | 313 | - | 313 |
| Settlement of project finance liabilities from escrow accounts | - | (1,835) | - | - | - | - | (1,835) |
| Other changes | (18) | (3,424) | - | - | 467 | - | (2,975) |
| Acquisition of non-controlling interests without change in control, net of cash paid | - | - | - | - | (100) | - | (100) |
| **As at 31 December 2020** | **50,053** | **182,042** | **13,963** | **(34,378)** | **2,143** | **-** | **213,823** |

| mln RUB | Bonds, net of those purchased by the Group | Loans and borrowings | Lease liabilities | Financial instruments measured at fair value through profit and loss | Non-controlling interest | Dividends | Total |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2019** | **54,645** | **7,601** | **3,775** | **(4,434)** | **1,868** | **-** | **63,455** |
| Proceeds | 21,636 | 81,750 | - | - | - | - | 103,386 |
| Payments | (25,271) | (4,082) | (2,421) | (2,805) | (22) | (15,000) | (49,601) |
| **Net cash from financing activities** | **(3,635)** | **77,668** | **(2,421)** | **(2,805)** | **(22)** | **(15,000)** | **53,785** |
| Interest accrued | 5,696 | 2,964 | 589 | - | - | - | 9,249 |
| Interest paid | (6,173) | (1,897) | (589) | - | - | - | (8,659) |
| Effect of transaction costs | - | (144) | - | - | - | - | (144) |
| New lease contracts or lease modifications | - | - | 6,821 | - | - | - | 6,821 |
| Offsets under lease agreements | - | - | (1,551) | - | - | - | (1,551) |
| Revaluation of cash-settled financial instruments | - | - | - | (3,138) | - | - | (3,138) |
| Accrual of dividends | - | - | - | - | - | 15,000 | 15,000 |
| Acquisitions of subsidiaries, net | - | 2,822 | - | - | 271 | - | 3,093 |
| Profit for the period | - | - | - | - | 213 | - | 213 |
| Change in non-controlling interest due to the restructuring of subsidiaries | - | - | - | - | (692) | - | (692) |
| Disposal of subsidiaries | - | - | - | - | (137) | - | (137) |
| **As at 31 December 2019** | **50,533** | **89,014** | **6,624** | **(10,377)** | **1,501** | **-** | **137,295** |

# 27 Non-controlling interest

The following is a summary of the impact of changes in shares that did not result in a loss of control, on the equity attributable to the Company:

| mln RUB | Developer | Internet provider | Manufacturer of smart home systems | Manufacturer of elevator equipment | Rental services provider | Other | Total |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2020** | 108 | 614 | 166 | 345 | 183 | 85 | 1,501 |
| Profit/(loss) for the period | 382 | (1) | 4 | (327) | - | 54 | 112 |
| Acquisition of non-controlling interests | - | - | - | - | (183) | (67) | (250) |
| Change in non-controlling interest due to the restructuring of subsidiaries | 304 | - | - | - | - | 9 | 313 |
| Other changes | 400 | - | - | - | - | 67 | 467 |
| **As at 31 December 2020** | **1,194** | **613** | **170** | **18** | **-** | **148** | **2,143** |

| mln RUB | Developer | Internet provider | Manufacturer of smart home systems | Manufacturer of elevator equipment | Rental services provider | Other | Total |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2019** | 846 | 661 | 106 | 137 | - | 118 | 1,868 |
| (Loss)/profit for the period | (2) | (47) | 82 | 208 | - | (28) | 213 |
| Acquisition of non-controlling interests | - | - | (22) | - | - | - | (22) |
| Acquisition of subsidiaries with non-controlling interest | - | - | - | - | 183 | 88 | 271 |
| Change in non-controlling interest due to the restructuring of subsidiaries | (692) | - | - | - | - | - | (692) |
| Disposal of subsidiaries with non-controlling interest | (44) | - | - | - | - | (93) | (137) |
| **As at 31 December 2019** | **108** | **614** | **166** | **345** | **183** | **85** | **1,501** |

The following tables summarize the information before the elimination of intercompany transactions in the Group's subsidiaries where the non-controlling interests are significant.

| mln RUB | Developer | Internet provider | Manufacturer of smart home systems | Manufacturer of elevator equipment | Other | Total |
|---|---|---|---|---|---|---|
| **As at 31 Decemder 2020** | | | | | | |
| Non-current assets | 50 | 1,238 | 246 | 1,101 | 13,614 | 16,249 |
| Current assets | 6,820 | - | 246 | 2,489 | 23,468 | 33,023 |
| Non-current liabilities | 330 | - | 30 | 200 | 3,595 | 4,155 |
| Current liabilities | 4,598 | 10 | (87) | 1,841 | 33,872 | 40,234 |
| **Net assets** | **1,942** | **1,228** | **549** | **1,549** | **(385)** | **4,883** |
| Carrying amount of non-controlling interest | 1,194 | 613 | 170 | 18 | 148 | 2,143 |
| Revenue | 5,847 | - | 246 | 4,105 | 38,475 | 48,673 |
| Profit/(loss) | 729 | (2) | 12 | 499 | (4,153) | (2,915) |
| **Total comprehensive income** | **729** | **(2)** | **12** | **499** | **(4,153)** | **(2,915)** |
| Profit/(loss) attributable to non-controlling interest | 382 | (1) | 4 | (327) | 54 | 112 |

| mln RUB | Developer | Internet provider | Manufacturer of smart home systems | Manufacturer of elevator equipment | Rental services provider | Other | Total |
|---|---|---|---|---|---|---|---|
| **As at 31 Decemder 2019** | | | | | | | |
| Non-current assets | 50 | 1,238 | 250 | 1,083 | 241 | 12,516 | 15,378 |
| Current assets | 170 | 1 | 246 | 1,235 | 119 | 17,727 | 19,498 |
| Non-current liabilities | - | - | 30 | 208 | - | 223 | 461 |
| Current liabilities | 4 | 9 | (71) | 1,059 | 1 | 28,704 | 29,706 |
| **Net assets** | **216** | **1,230** | **537** | **1,051** | **359** | **1,316** | **4,710** |
| Carrying amount of non-controlling interest | 108 | 614 | 166 | 345 | 183 | 85 | 1,501 |
| Revenue | - | - | 275 | 2,177 | - | 46,413 | 48,865 |
| (Loss)/profit | (3) | - | 5 | 114 | - | (11,675) | (11,559) |
| **Total comprehensive income** | **(3)** | **-** | **5** | **114** | **-** | **(11,675)** | **(11,559)** |
| (Loss)/profit attributable to non-controlling interest | (2) | (47) | 82 | 208 | - | (28) | 213 |

# 28 Provisions

| mln RUB | Provision for costs to complete | Provision for onerous contracts | Tax provision | Provision for litigation | Provision for warranty obligations | Total |
|---|---|---|---|---|---|---|
| **As at 1 January 2020** | **21,895** | **345** | **1,562** | **2,169** | **-** | **25,971** |
| Additional provisions | 14,090 | 3,486 | 330 | 790 | 449 | 19,145 |
| Release of provisions | (1,302) | (528) | (1,458) | (694) | (23) | (4,005) |
| Utilisation | (9,965) | (2,950) | - | (621) | (23) | (13,559) |
| Disposal through disposal of subsidiaries | (1) | - | (20) | (37) | - | (58) |
| **As at 31 December 2020** | **24,717** | **353** | **414** | **1,607** | **403** | **27,494** |

| | Provision for costs to complete | Provision for onerous contracts | Tax provision | Provision for litigation | Total |
|---|---|---|---|---|---|
| **As at 1 January 2019** | **24,744** | **881** | **2,412** | **2,036** | **30,073** |
| Additional provisions | 10,429 | 2,861 | 1,090 | 1,933 | 16,313 |
| Release of provisions | (3,315) | (1,765) | (699) | (1,214) | (6,993) |
| Utilisation | (9,963) | (1,632) | - | (402) | (11,997) |
| Disposal through disposal of subsidiaries | - | - | (1,241) | (184) | (1,425) |
| **As at 31 December 2019** | **21,895** | **345** | **1,562** | **2,169** | **25,971** |

In calculation of provisions, the Group used assumptions, which are subject to uncertainty and judgment.

**Provision for costs to complete**

The provision for costs to complete represents an estimate of the future amounts the Group expects to spend to construct social and cultural facilities and infrastructure not to be transferred into joint ownership and to complete the acquisition of all land plots for a project. The provision was calculated and recognised for 240 buildings under construction and on sale based on the prevailing average purchase prices for materials and subcontracting work in the fourth quarter of 2020, and the completion dates of projects or certain phases from 1 to 3 years. Estimated costs can be revised subsequently as a result of changes in urban development standards and regulations, which determine main project parameters, construction materials and labor price fluctuations, and inflation rate.

The provision for costs to complete for social and cultural facilities and infrastructure was recognised using for all buildings under construction where the sales started using its percentage of completion.

In addition, the provision for costs to complete includes an estimated cost of completing the acquisition of land on projects where sales of real estate properties have already been in the amount of RUB 4,141 million as at 31 December 2020 (31 December 2019: RUB 2,866 million). According to the terms of acquisition of land plots in these projects, the acquisition is carried out gradually, and the transaction price is subject for amendments by additional agreements in the future. Provision for the cost to purchase the land plots included in the cost of sales was recognised based on the percentage of completion of houses already under construction and on sale.

The Group develops some projects where land plots were leased or acquired under the condition to transfer some real estate properties to customers defrauded by third-party developers. The Group recognised a provision for this obligation in the amount of expected costs to construct real estate properties for defrauded customers within 3 years. As at 31 December 2020, the provision amounted to RUB 2,005 million (31 December 2019: RUB 2,786 million) and was included in the provision for costs to complete.

**Tax provision**

As at 31 December 2020, the tax provision relates mostly to the deductibility of certain expenses for tax purposes and intercompany transactions and includes provision for income tax of RUB 414 million (31 December 2019: RUB 1 562 million including related penalties).

In 2020, the provision related to income tax risks identified in previous periods was released due to the completion of the on-site tax inspection for that period in the amount of RUB 1,458 million. An additional provision for income tax was accrued in the amount of RUB 330 million.

**Provision for litigation**

The Group is involved as a defendant in litigations relating to contracts with customers to supply properties, agreements to purchase construction materials and services. As at 31 December 2020, the Group estimated that it was probable that a resource outflow would be necessary in the amount of RUB 1,607 million (31 December 2019: RUB 2,169 million).

**Provision for warranty obligations**

According to the current Russian legislation, the Group commits to the quality of completed buildings. The amount of the warranty claims for previous periods was insignificant. Since the construction volumes have been increased, the estimated warranty obligations increased accordingly and amounted to RUB 403 million.

## 29 Accounts payable, including contract liabilities

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| ***Non-current*** | | |
| Accounts payable for acquisition of land plots | 6,563 | 8,469 |
| Accounts payable under construction contracts | 433 | 348 |
| Other advances received | 449 | 495 |
| Other liabilities | 5 | 495 |
| | **7,450** | **9,807** |
| ***Current*** | | |
| Liabilities under contracts with customers of real estate properties | 62,965 | 93,153 |
| Liabilities under contracts with customers of real estate properties in acquisition of land plots | 6,766 | 8,933 |
| Advances received for construction works | 14,541 | 7,117 |
| Other advances received | 8,091 | 1,836 |
| Accounts payable for construction works and other trade payables | 12,785 | 9,345 |
| Trade payables of Maintenance segment | 10,952 | 10,038 |
| Accounts payable for acquisition of land plots | 5,394 | 7,337 |
| Accounts payable to suppliers and contractors under construction contracts | 2,695 | 596 |
| Payables to employees | 6,183 | 6,382 |
| Other taxes payable | 9,447 | 9,325 |
| Accounts payable to owners of non-controlling interests | 687 | 408 |
| Other accounts payable | 4,757 | 3,099 |
| | **145,263** | **157,569** |

The information about the Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 30.

# 30 Financial instruments

According to the Group's assessment, the COVID-19 coronavirus did not significantly affect the management's assessment of the Group's credit, market, currency and liquidity risks.

The carrying value of financial assets and liabilities (see note 30 (e)) and the corresponding levels of the fair value hierarchy are presented below:

| mln RUB | Note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Level 1** | | | |
| **Financial asssets:** | | | |
| Financial instruments measured at fair value through profit or loss | 24 | 34,378 | 10,377 |
| **Financial liabilities:** | | | |
| Unsecured bonds | 26 | (50,053) | (50,533) |
| **Level 3** | | | |
| **Assets:** | | | |
| Cash and cash equivalents | 22 | 96,527 | 66,208 |
| Trade and other receivables | 20 | 115,035 | 32,554 |
| Loans issued, bank deposits accounted for in other investments and equity accounted investees | 19 | 680 | 1,183 |
| **Liabilities:** | | | |
| Loans and borrowings | 26 | (182,042) | (89,014) |
| Long-term lease liabilities | 21 | (13,963) | (6,624) |
| Trade and other payables | 29 | (43,584) | (39,727) |
| | | **(43,022)** | **(75,576)** |

## (a) Overview

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

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

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

### Risk management framework

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

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

The Group's Audit Committee monitors how the management ensures compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management system given the risks to which the Group is exposed. The Audit Committee performs its supervisory functions in close cooperation with the internal audit department.

### (b) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Generally, credit risk relates to financial assets of the Group measured at amortised cost, which include cash and cash equivalents, receivables and other investments. During the reporting period, there were no significant changes in the structure of financial assets, their credit quality and valuation methods.

#### *(i) Sale of apartments to individuals*

The Group is not significantly exposed to credit risk in connection with sales of apartments to individuals as such sales are mostly arranged on a prepayment basis or using escrow accounts. To estimate the impairment provision for assets under contracts with customers for sales of real estate properties with the use of escrow accounts with an authorised bank, the bank’s credit rating is applied.

#### *(ii) Accounts receivable from legal entities*

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

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

For effective control over credit risk levels, customers are grouped according to their credit characteristics, including the type of contract, aging profile, maturity and credit history. Accounts receivable from legal entities are grouped as follows:

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

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group’s standard payment terms and conditions are offered. These terms also specify certain penalties in the event of late payment.

The Group generally provides services such as construction services if a surety or a bank guarantee is provided. The main consumers are state-owned and commercial developers.

Detailed information on the revenue concentration is disclosed in note 6.

#### *(iii) Accounts receivable of consumers of housing and utility services*

If payments for housing and utility services are overdue for more than 3 months, the Group uses enhanced procedures to inform debtors about the indebtedness and may take enforcement measures afterwards. Expected credit losses calculation is based on the accumulated statistics for the last three years on debt collection, considering the terms of delinquency and the economic environment of the region where the services are provided. The primary customers are the owners of residential premises.

#### *(iv) Guarantees*

Generally, the Group provides financial guarantees only to the Group’s subsidiaries except for certain third-party construction services contractors and suppliers. As at 31 December 2020, and 31 December 2019 the amount of these guarantees did not exceed RUB 1 000 million.

**Exposure to credit risk**

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

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

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Loans issued and bank deposits recorded in other investments | 672 | 480 |
| Accounts receivable, including contract assets | 115,035 | 32,554 |
| Cash and cash equivalents | 96,527 | 66,208 |
| | **212,234** | **99,242** |

## Impairment losses

During the reporting period, the change in estimated provisions for expected credit losses in respect of financial assets of the Group measured at amortised cost and contract assets was as follows:

| mln RUB | Other investments | Accounts receivable | Total |
|---|---|---|---|
| **Impairment loss provision as at 1 January 2020** | **330** | **2,040** | **2,370** |
| Amount used | (18) | (64) | (82) |
| Accruals | 53 | 2,097 | 2,150 |
| Releases | (105) | (930) | (1,035) |
| **Impairment loss provision as at 31 December 2020** | **260** | **3,143** | **3,403** |

| mln RUB | Other investments | Accounts receivable | Total |
|---|---|---|---|
| **Impairment loss provision as at 1 January 2019** | **320** | **1,824** | **2,144** |
| Amount used | (27) | (233) | (260) |
| Accruals | 69 | 1,548 | 1,617 |
| Releases | (32) | (1,099) | (1,131) |
| **Impairment loss provision as at 31 December 2019** | **330** | **2,040** | **2,370** |

The credit rating of some suppliers and contractors was downgraded as a result of the worsening economic situation due to the COVID-19 pandemic. As at the reporting date, the carrying amount of credit-impaired debt resulting from the downgrade of the credit rating was insignificant. The Group continuously reviews the quality and balances of accounts receivable and takes preventive measures to mitigate risks, such as stricter requirements for the selection of contractors, termination of contracts with contractors with a low internal credit rating, and revision of the terms of advance payments for contract work.

### *(i) Accounts receivable, including contract assets*

| Internal credit rating of the Group | Gross carrying amount as at 31 December 2020 | Impairment loss as at 31 December 2020 | Gross carrying amount as at 31 December 2019 | Impairment loss as at 31 December 2019 |
|---|---|---|---|---|
| High | 86,276 | (11) | 11,593 | (1) |
| Above-medium | 14,235 | (226) | 7,430 | (239) |
| Medium | 6,096 | (342) | 5,331 | (315) |
| Below-medium | 731 | (147) | - | - |
| Low | 87 | (50) | 2 | (1) |
| Default | 972 | (655) | 1,071 | (929) |
| **Total** | **108,397** | **(1,431)** | **25,427** | **(1,485)** |

The Group's main counterparties do not have external credit ratings, and the assessment of expected credit risks from receivables and other investments is based on internal credit ratings. The Group evaluates the counterparties' internal credit rating based on an analysis of the financial statements of counterparties, the history of interaction and settlements with counterparties, litigation history and other available risk factors. The Group assigns the following rating categories to counterparties:

- High: counterparties in this category are sufficiently able to meet their contractual obligations in the near term. The Group assesses that adverse changes in economic and business conditions in the longer term will not reduce the counterparty's ability to meet its contractual obligations. These are mainly clients whose indebtedness is secured by real estate properties constructed and sold by the Group;
- Above-medium: counterparties are sufficiently able to meet their contractual obligations in the near term. The Group assesses that adverse changes in economic and business conditions in the long-term will not reduce the counterparty's ability to meet its contractual obligations;
- The medium category includes risky counterparties. According to the Group's analysis, counterparties have sufficient ability to meet their contractual obligations in the future in the short term, but adverse changes in economic and business conditions in the longer term may reduce the counterparty's ability to meet its contractual payment obligations;
- Below-medium: this category includes counterparties with some insolvency signs. Counterparties in this category may have a reduced ability to meet their contractual payment obligations in the near term and may default on their obligations in the long run;
- Low: this category includes counterparties with many insolvency signs. Counterparties in this category may not be able to meet their contractual obligations to pay in the near term and/or in the longer term;
- Default: this category includes counterparties whose debt is non-recoverable.

In the reporting period, the transfer of assets to the credit-impaired category was insignificant.

### *(ii) Accounts receivable of customers of housing and utility services*

Due to the impact of the COVID-19 pandemic on the economic situation, the Group identified an increase in accounts receivable balances with a payment delay of over 30 days. At the same time, the cash collections have not significantly decreased, and in the long term, the Group does not expect a significant increase in the risk of expected credit losses.

| **Overdue debt** | **Weighted average loss rate** | **Gross carrying amount as at 31 December 2020** | **Impairment loss as at 31 December 2020** | **Gross carrying amount as at 31 December 2019** | **Impairment loss as at 31 December 2019** |
|---|---|---|---|---|---|
| 0-30 days | 10.16% | 1,989 | (202) | 3,779 | (108) |
| 31-90 days | 10.10% | 1,040 | (105) | 2,017 | (58) |
| 90-180 days | 10.11% | 1,009 | (102) | 721 | (21) |
| 180-360 days | 10.15% | 1,271 | (129) | 767 | (22) |
| 1-3 years | 23.95% | 2,489 | (596) | 1,575 | (250) |
| more than 3 years | | 1,901 | (578) | 306 | (96) |
| **Total** | | **9,699** | **(1,712)** | **9,165** | **(555)** |

### *(iii) Other investments*

| Internal credit rating of the Group | Gross carrying amount as at 31 December 2020 | Impairment loss as at 31 December 2020 | Gross carrying amount as at 31 December 2019 | Impairment loss as at 31 December 2019 |
|---|---|---|---|---|
| High | 164 | (5) | 104 | - |
| Above-medium | 127 | (3) | 16 | - |
| Medium | 494 | (109) | 207 | (58) |
| Below-medium | 2 | - | 274 | (73) |
| Low | - | - | 51 | (41) |
| Default | 145 | (143) | 158 | (158) |
| **Total** | **932** | **(260)** | **810** | **(330)** |

### *(iv) Cash and cash equivalents*

The Group does not recognise a provision for ECL for cash balances as the provision is not material. Cash and cash equivalents are placed with banks rated no lower than B+, based on the classification of international rating agencies S&P Global Ratings, Fitch and Moody's. The Group considers expected credit losses to be insignificant.

## (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Group's financial department carries out liquidity risk management (including risks which the Group would face in the long-, medium- and short-term periods) in accordance with internal regulations approved by the Board of Directors and reviewed regularly to reflect changes in market conditions.

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

Since 1 July 2019, in accordance with the requirements of the legislation of the Russian Federation, the Group has started selling real estate properties under share participation agreements using escrow accounts. The Group developed and agreed with banks an appropriate procedure under which the banks, where buyers of real estate properties open escrow accounts and transfer money for acquired real estate properties, provide the Group with project financing covering the full amount of costs necessary for the construction of a project and the commissioning of all real estate properties.

Upon completion of the construction of a residential building, the cash placed in escrow accounts with authorised banks is released to the Group, and the Group partially pays the project financing debt outstanding.

Thus, in the consolidated statement of financial position, project finance liabilities gradually increase, while liabilities under contracts with customers decrease.

The amount of revenue recognised under contracts with customers using escrow accounts in 2020 amounted to RUB 58,960 million (2019: RUB 7,855 million).

Management estimates that the Group's transition to customer settlements using escrow accounts does not significantly affect the Group's ability to meet its obligations on time.

### *Covenant compliance risk*

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

To disclose the forecast of future interest payments on loans and borrowings with a variable interest rate, the Group uses interest rates effective as of the reporting date without taking into account any changes resulting from a change in the Central Bank of Russia's rate in future periods and/or the ratio of funds placed on escrow accounts to project financing debt.

The following are the contractual maturities of the financial liabilities, including estimated interest payments.

| **31 December 2020** | | | | **Contractual cash flows** | | | | |
|---|---|---|---|---|---|---|---|---|
| **mln RUB** | **Carrying value** | **0-6 mths** | **6-12 mths** | **1-2 yrs** | **2-3 yrs** | **3-5 yrs** | **5-10 yrs** | **Total** |
| Bank loans | 176,486 | 6,987 | 12,229 | 84,078 | 35,838 | 34,841 | 4,406 | 178,379 |
| Bonds | 49,405 | 11,040 | 1,770 | 15,335 | 10,979 | 3,500 | 7,000 | 49,624 |
| Loans | 218 | 70 | 33 | - | 115 | - | - | 218 |
| Interest payable | 5,986 | 6,644 | 4,406 | 11,358 | 3,848 | 5,149 | 1,254 | 32,659 |
| Trade and other accounts payable | 59,901 | 52,045 | 1,669 | 2,876 | 1,040 | 2,595 | 1,447 | 61,672 |
| Lease liabilities | 13,963 | 2,180 | 2,580 | 4,173 | 2,913 | 3,584 | 1,380 | 16,810 |
| Financial instruments measured at fair value through profit or loss | (34,378) | 1,044 | - | - | - | - | - | 1,044 |
| | **271,581** | **80,010** | **22,687** | **117,820** | **54,733** | **49,669** | **15,487** | **340,406** |

| **31 December 2019** | | | | **Contractual cash flows** | | | | |
|---|---|---|---|---|---|---|---|---|
| **mln RUB** | **Carrying value** | **0-6 mths** | **6-12 mths** | **1-2 yrs** | **2-3 yrs** | **3-5 yrs** | **5-10 yrs** | **Total** |
| Bank loans | 87,926 | 12,539 | 6,486 | 9,288 | 19,653 | 32,150 | 8,000 | 88,116 |
| Bonds | 49,752 | 8,135 | 1,770 | 12,810 | 12,845 | 7,479 | 7,000 | 50,039 |
| Interest payable | 1,869 | 4,442 | 3,773 | 4,943 | 3,974 | 4,332 | 9,108 | 30,572 |
| Trade and other accounts payable | 55,842 | 45,992 | 1,882 | 3,878 | 2,330 | 2,501 | 3,218 | 59,801 |
| Lease liabilities | 6,624 | 1,023 | 1,482 | 2,201 | 1,365 | 1,511 | 509 | 8,091 |
| Financial instruments measured at fair value through profit or loss | (10,377) | 1,232 | 551 | 503 | - | - | - | 2,286 |
| | **191,636** | **73,363** | **15,944** | **33,623** | **40,167** | **47,973** | **27,835** | **238,905** |

### (d) Market risk

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

The Group does not enter into contracts other than to meet the Group's production needs and its delivery obligations; such contracts are not settled on a net basis.

#### *(i) Currency risk*

The Group is exposed to currency risk related to purchases and cash balances that are denominated in a currency other than the Russian Rouble (RUB).

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

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

#### Exposure to currency risk

Exposure to currency risk of the Group determined based on the nominal value of financial instruments was immaterial in 2020 and 2019.

#### *(ii) Interest rate risk*

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

#### Risk profile

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

| mln RUB | Note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Variable rate financial assets** | | **34,378** | **10,377** |
| Financial instruments carried at fair value through the profit or loss | 24 | 34,378 | 10,377 |
| **Fixed rate financial assets** | | **24,073** | **28,027** |
| Bank deposits recorded in cash and cash equivalents | | 22,739 | 25,775 |
| Long-term receivables | 20 | 663 | 1,774 |
| Loans issued and bank deposits recorded in other investments | 19 | 671 | 478 |
| **Variable rate financial liabilities** | | **(189,607)** | **(72,141)** |
| Loans and borrowings | 26 | (189,607) | (72,141) |
| **Fixed rate financial liabilities** | | **(59,721)** | **(85,518)** |
| Accounts payable for land acquisition | 29 | (9,256) | (11,488) |
| Loans and borrowings | 26 | (36,502) | (67,406) |
| Long-term lease liabilities | 21 | **(13,963)** | **(6,624)** |
| | | **(190,877)** | **(119,255)** |

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for fixed rate financial assets and liabilities as instruments measured at fair value through profit or loss.

**Cash flow sensitivity analysis for financial liabilities with interest rate depending on changes to the key rate of the Central Bank of the Russian Federation**

As at 31 December 2020, a change in interest rates by 1 percentage point would result in an increase (a decrease) of interest expenses before capitalisation in inventories by RUB 1,456 million (31 December 2019: RUB 323 million).

### (e) Fair values and carrying amounts

As at 31 December 2020 and 31 December 2019, the carrying amounts of the Group’s financial assets and liabilities did not differ significantly from their fair values, except for bonds. As at 31 December 2020 the fair value of bonds, net of those purchased by the Group, exceeded their carrying amount by RUB 1 434 million (31 December 2019: RUB 1 272 million).

### (f) Capital management

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

The Board of Directors monitors the capital structure, in particular the net debt to adjusted EBITDA ratio. The calculation of net debt and adjusted EBITDA is disclosed in note 39.

## 31 Contingencies

### (a) Insurance

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

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

The Group does not have insurance in respect of any force majeure circumstances which may arise in respect of constructed buildings in the period from the recognition of revenues to the time when ownership rights are registered by a customer or an acceptance certificate is signed under share participation agreements. The risk of losses in case of force majeure circumstances in these periods is borne by the Group.

The Group makes mandatory insurance contributions to the fund of protection of the legitimate rights of citizens, who are parties to share participation agreements. Insurance events under the above agreements include enforcement of pledge, as well as bankruptcy of developers, failure to fulfill obligations to parties to share participation agreements regarding transfer of a property within the period stipulated by an agreement.

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

### (b) Litigation

The Group is a defendant in a number of litigations. According to management, it is probable that the claims will be successfully challenged and that the Group will not incur significant losses in addition to those already recognised in the provisions for litigation (see note 28).

### (c) Taxation contingencies

*The taxation system*

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

Taxes are subject to review and investigation by a number of authorities that have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years. Recent events within the Russian Federation demonstrate that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

The current transfer pricing legislation requires a price analysis of certain transactions between the Group’s companies, as well as significant transactions between the Group’s companies in the domestic market. Since 2019, transfer pricing control has been generally applied to transactions in the domestic market if two conditions are met simultaneously: the parties apply different income tax rates and the annual value of transactions between the parties exceeds RUB 1 billion. The number of such operations in 2020 and 2019 was insignificant.

Russian tax authorities may check the prices of transactions between the Group companies in addition to the transfer pricing checks. They may charge additional taxes if they conclude that the taxpayer has misrepresented information about taxable items to be reflected in tax and/or financial accounting or tax reporting. Besides, close attention is being paid by controlling and regulatory authorities to transactions with foreign companies and their activities. The practice of applying the concept of beneficial ownership of income, taxation of controlled foreign companies, and determining the rules of tax residence is only developing and may affect the tax position of the Group.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. The Group’s management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, these interpretations by tax authorities and courts may be different, and this may affect these consolidated financial statements, if the tax authorities are successful in enforcing their interpretations.

In addition, the Group acquires works, services, raw and materials from various suppliers who are responsible for tax and financial reporting compliance. Meanwhile, if tax authorities prove that the Group did not exercise due care and diligence in selecting suppliers in accordance with the provisions of Article 54.1 of the Tax Code of the Russian Federation, this may lead to additional tax risks for the Group. Management has not provided for any amounts in respect of these tax liabilities in the consolidated financial statements because it believes that the risk of cash outflow to settle them exists, but is not high. According to the Group’s management, it is impracticable to evaluate the financial implications of tax liabilities, though potentially material, that may arise as the result of transacting with such suppliers due to varying approaches to assessing the extent of a tax legislation violation.

# 32 Significant subsidiaries

As at 31 December 2020, the Group controlled 336 legal entities (31 December 2019: 312 legal entities). Their assets, liabilities, revenues and expenses are included in these consolidated financial statements. The significant subsidiaries include 86 real estate developers (31 December 2019: 62 real estate developers) in which the Group does not have a significant non-controlling interest, except for a real estate developer implementing a project in the Moscow Region in which the Group holds a 50.01% interest, as well as those listed in the table below:

| | | Effective ownership | | Voting rights | |
|---|---|---|---|---|---|
| | Country of incorporation | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| JSC PIK-Industry | Russia | 99% | 99% | 99% | 99% |
| LLC GP-MFS | Russia | 99% | 99% | 99% | 99% |
| LLC GLOBALSTROYTECH | Russia | 100% | 100% | 100% | 100% |
| LLC PIK-Comfort | Russia | 100% | 100% | 100% | 100% |
| LLC PIK-Corporation | Russia | 100% | 100% | 100% | 100% |
| LLC PIK-Investproekt | Russia | 100% | 100% | 100% | 100% |
| LLC Inzhstroy-Innovatsii | Russia | 70% | 0% | 70% | 0% |
| LLC SPETSENERGOGRUP | Russia | 70% | 0% | 70% | 0% |
| LLC Lovitel | Russia | 50% | 50% | 50% | 50% |
| JSC MSK ENERGO | Russia | 100% | 100% | 100% | 100% |
| JSC MEL | Russia | 99% | 99% | 99% | 99% |
| LLC PIK-Profil | Russia | 100% | 100% | 100% | 100% |

# 33 Related party transactions

## (a) Control relationships

As at 31 December 2020 and 31 December 2019 there were no immediate or ultimate parent companies.

As at 31 December 2020, the Company is ultimately controlled by Mr. Sergey E. Gordeev, who owns 59.33% of the Company's ordinary shares (31 December 2019: 59.16%).

## (b) Management remuneration

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

| mln RUB | 2020 | 2019 |
|---|---|---|
| Salary and bonuses | 1,043 | 1,952 |
| Insurance premium | 201 | 325 |
| **Total** | **1,244** | **2,277** |

## (c) Related parties' balances

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Advances issued | 1,817 | 933 |
| Loans issued | 17 | 12 |
| Accounts receivable | 13 | 9 |
| Advances received | - | (3) |
| Accounts payable | (69) | (13) |
| **Total** | **1,778** | **938** |

### (d) Transactions with related parties

| mln RUB | 2020 |
|---|---|
| Contribution to the share capital of an associate | (300) |
| Purchase of non-controlling interest | (250) |
| Advances paid for acquisition of land | (1,560) |
| Advances to suppliers and contractors | (241) |
| **Total** | **(2,351)** |

In 2020, the Group made a contribution to the authorised capital of an associated company in the amount of RUB 300 million. In 2019, there were no contributions to the authorised capital of associated companies.

### (e) Other transactions with related parties

In 2020, executive directors of the Company purchased residential apartments in uncompleted buildings for the total amount of RUB 10 million (2019: RUB 18 million in uncompleted buildings and RUB 35 million in completed buildings).

## 34 Transactions with the government

### (a) Control relationships

In July 2019, one of the largest Russian banks ("the Bank") controlled by the government acquired the Group's ordinary shares increasing its share to more than 20% of the Group's share capital. At the same time, the Bank did not participate in the decision-making process by having representatives on the Board of Directors of the Company. Significant transactions with the Bank are provided below.

***Balances with the Bank***

| mln RUB | 31 December 2020 | 31 December 2019 |
|---|---|---|
| Financial instruments measured at fair value | 34,378 | 10,377 |
| Advances issued | 37 | 767 |
| Accounts receivable | - | 25 |
| Cash in banks | 66,956 | 30,485 |
| Loans and borrowings | (125,452) | (60,557) |
| Interest payable | (3,576) | (967) |
| | **(27,657)** | **(19,870)** |

***Transactions with the Bank and its related companies***

| mln RUB | 2020 | 2019 |
|---|---|---|
| Acquisition of land | 165 | 3,330 |
| Revaluation of cash-settled financial instruments | 21,840 | 3,138 |
| Interest income | 97 | 322 |
| Interest expense before capitalisation | (6,011) | (1,285) |
| Commercial expenses | (639) | (361) |
| Quarterly interim payments under cash-settled financial instruments | (2,161) - | - |
| Other finance costs | (7) | (12) |
| **Total** | **13,284** | **5,132** |

As at 31 December 2020, parties to share participation agreements placed RUB 69,676 million on escrow accounts with the Bank (31 December 2019: RUB 15,439 million).

During 2020, the Group received project financing from the Bank of RUB 71,437 million at the base rates based on the key rate of the Central Bank of the Russian Federation +2% to the key rate of the Central Bank of the Russian Federation +3.17% and repaid the debt related to project financing of RUB 3,878 million at the base rate of the key rate of the Central Bank of the Russian Federation+2% (2019: received project financing of RUB 39,625 million at the base rate of the key rate of the Central Bank of the Russian Federation +2%, there was no repayment of the debt).

The key terms for financial instruments are disclosed in notes 24 and 26.

**(b) Transactions with the government**

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

The Group conducts operations with enterprises related to government, which are part of ordinary activities and are carried out on conditions comparable to the terms of activities with enterprises not related to government. Such operations include, but are not limited to, providing construction, design, general constructor and technical supervision services, the lease of land for development projects, purchasing the construction services, and contributions to the fund of protection of the rights of citizens participating in shared construction. Those transactions that exceeded RUB 1,000 million in 2020, according to management estimates, accounted for at least 53.57% of the revenues from the sale of construction services and about 0.5% of the costs for the construction of real estate properties. As at 31 December 2020, outstanding balances with government-related enterprises did not exceed RUB 29,039 million of assets and RUB 60,764 million of liabilities of the Group (31 December 2019: RUB 2,261 million of assets and RUB 12,405 million of liabilities of the Group).

As at 31 December 2020, parties to share participation agreements placed RUB 12,404 million in escrow accounts with the Bank associated with the government (31 December 2019: there was no similar placement). In 2020, the Group received loan financing from the banks associated with the government in the amount of RUB 25,777 million (2019: RUB 5,004 million).

# 35 Subsequent events

In order to comply with the legislation of the Russian Federation, on 4 March 2021, the Extraordinary General Meeting of Shareholders of PJSC Group of Companies PIK approved the change of its name from PJSC Group of Companies PIK to Public Joint Stock Company PIK-specialized homebuilder.

# 36 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the items that are disclosed in note 5 Measurement of Fair Values of these consolidated financial statements and have been measured on an alternative basis on each reporting date.

# 37 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

**(a) Basis of consolidation**

***(i) Business combinations***

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (note 37a (iii)). To determine whether a particular set of activities and assets is a business, the Group assesses whether the acquired set of assets and activities includes input and substantive process as a minimum and whether the acquired set can produce outputs.

The Group applies an optional concentration test that permits a simplified assessment of whether the acquired set of activities and assets is not a business: if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the transaction is classified as an acquisition of an asset.

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

***(ii) Non-controlling interests***

Non-controlling interests are measured as a proportionate share of the acquire's net identifiable assets at the acquisition date.

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

Non-controlling interest in subsidiaries registered in the form of limited liability companies, whose charters provide for the option for one participant to withdraw at their request and for payment of the value of its interest, is recognised in other payables. Where the net assets of subsidiaries in the form of limited liability companies are negative, no non-controlling interest is not recognised. The result of attributable to non-controlling interests in subsidiaries incorporated as limited liability companies is recognised as finance costs.

Losses attributable to a non-controlling interest in a subsidiary incorporated as a joint-stock company are allocated in full to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

***(iii) Subsidiaries***

Subsidiaries are companies controlled by the Group. The Group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

### *(iv) Loss of control*

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

### *(v) Interests in equity-accounted investees*

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

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

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

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

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

### *(vi) Transactions eliminated on consolidation*

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

## (b) Revenue from contracts with customers

The Group recognises revenue from contracts with customers when or over time when identifiable goods and/or services are transferred to the customer and the contract with the customer exists if promised consideration is probable. An asset is transferred to the customer when (or as) the customer gains control of the asset. In assessing the likelihood of collecting of consideration, the Group considers solely the customer's ability and intention to pay the consideration when the payment is due.

The Group combines two or more contracts concluded simultaneously or almost simultaneously with the same customer (or customers belonging to the same group of companies), if one or more of the criteria below are met:

- the contracts were negotiated as a package with a single commercial objective;
- the amount of consideration payable under one contract depends on the price or performance of the other contract; or

- the goods or services promised under the contracts (or some goods or services promised under each contract) constitute a single performance obligation.

The contract price is the amount of consideration that the Group expects to be entitled to in exchange for the transfer of promised goods or services to a customer, excluding amounts received on behalf of third parties. The consideration promised under the contract with a customer may include fixed amounts, variable amounts, or both.

To calculate the transaction price, the amount of consideration promised under the contract is adjusted to the time value of money to recognise the revenue in the amount that the customer would have paid for the real estate if they had paid in cash when (or as) the obligation under the contract is fulfilled. A significant financing component is recorded separately in the consolidated statement of profit or loss and other comprehensive income.

***(i) Revenue from the sale of real estate properties***

A major part of the Group's revenue is recognised under share participation agreements (SPA) executed following the requirements of Federal Law No.214-FZ. The developer is entitled to the consideration under a contract if construction is completed without breach of SPA terms, and the customer has no right to waive the contract obligations unilaterally out of court. Thus, SPA is considered non-cancelable in due course (except that the termination clause is included directly in the SPA), and the revenue is recognised over time according to progress towards complete satisfaction of the performance obligations under the contract.

The Group applies the resource method to assess progress towards complete satisfaction of the performance obligation based on a proportion of actual costs incurred to the total expected costs. At the same time, the cost of construction of social and cultural facilities and infrastructure that are not transferred to the joint ownership, and the cost of land plots and right-of-use assets are recognised in the cost of sales as control over real estate properties is transferred to customers as the percentage of completion of these properties increases.

If the contract for real estate purchase is executed without the use of escrow accounts, the consideration provided for in the contract is usually adjusted for a significant financing component. The Group does not apply a practical expedient that allows not to adjust the contract consideration if the period between payment and performance of the obligation or part of it does not exceed 12 months.

The Group estimates the significant financing component at the time of contract inception using the discount rate based on the loan portfolio of individual developers within the Group, considering the construction terms.

The transaction price for SPA using escrow accounts, when funds from the customer are transferred to a special account with an authorised bank, is determined taking into account the savings on interest expenses resulting from a reduction of interest at the base interest rate on project financing, depending on the amount of funds placed on escrow accounts. On initial recognition, project financing received by the Group at a preferential rate because of cash on escrow accounts is recognised at fair value.

As funds from customers are placed on the escrow accounts with an authorised bank, the average rate under the loan agreement is reduced and the resulting interest savings are recognised as part of the transaction price. When registering the SPA, the Group calculates the savings over the contract period usually up to the date when the cash from the escrow accounts is released as the difference between the base rate and the preferential rate under the credit facility agreement on the amount of accumulated payments under contracts with customers. The calculation is based on payments under the SPA, limited by the amount of credit funds planned for the drawdown in each forecast period (month).

When the loan drawdown schedules and/or SPA payments change, as well as interest rates, the savings (financial asset) are adjusted through financial income or expenses in the consolidated statement of profit or loss and other comprehensive income in the period when the change occurs.

The Group recognizes a financial asset for the interest savings on project financing based on the expected loan drawdowns, as part of the transaction prices in contracts with customers who have deposited funds on escrow accounts, even if project financing has not yet been received. This financial asset is accounted for at amortised cost.

When the balances on escrow accounts with an authorised bank exceed the amount of the project financing received, an additional discount to the preferential rate is granted, which constitutes variable consideration. Variable consideration is not determined before additional interest savings are actually obtained and are recognised as changes in the transaction price in the period of their actual occurrence. At the same time, the savings are allocated to all the SPAs concluded at that time in proportion to the amounts placed on the escrow account.

When apartments are sold under a SPA using escrow accounts the Group does not recognise the customer's payment in its consolidated statement of financial position. Revenue is recognised based on the progress towards complete satisfaction of the performance obligation results in a contract asset. The contract asset is reclassified to accounts receivable when funds on escrow accounts are to be released. At the time of the release of the escrow accounts and receipt of funds to the Group's accounts, the accounts receivable are settled and the remaining transaction price not recorded as part of the revenue is accounted for as part of liabilities under contracts with customers.

Non-cash consideration is measured at a fair value of received goods or services.

The approach to determining the revenue under real estate sale contracts and other types of contracts for the purchase of completed properties in commissioned buildings is similar to the approach defined for SPA.

The Group may sell land plots prepared for development. If Group carries out preliminary development of the acquired land plot and decides to sell the plot to an external developer, the proceeds from such sale are recognised as other revenue from development.

***(ii) Revenue from construction services***

Revenue from construction services is mainly earned from construction and design services provided by the Group to third-party customers. The Group has determined that under construction contracts, the customer controls assets created during the construction process on the customer's land plot. Having analysed the terms of payments and termination of existing contracts, the Group also concluded that control over a product or service is transferred to the customer over time as the assets under construction cannot be used alternatively, and the Group obtains the right to receive consideration as the construction progresses. Contract revenue is recognised over time based on the progress towards complete satisfaction of the performance obligations, using the resource method.

The revenue of subsidiaries from construction services to third-party technical supervisors who render services of technical supervision to other entities of the Group – developers, is accounted for as intragroup sales and eliminated by reducing the total amount of revenue and the corresponding amount of cost of sales.

The Group usually combines contracts for design, construction and technical supervision services, if they are executed with the same developer.

Other revenue from construction services includes revenue from agency agreements to sell third-party real estate properties in projects where the Group is the general contractor.

The Group applies a practical expedient for construction services contracts, which allows not to recognise a significant financing component when the period between the payment and satisfaction of a performance obligation under the contract does not exceed 12 months.

***(iii) Revenue from maintenance services***

Revenue from maintenance services mainly includes provision of maintenance and management services for residential buildings and heating, water and energy supply, which are recognised in the statement of profit or loss and other comprehensive income on monthly basis.

In cases where the Group provides intermediary services, the revenue is recognised to the extent of remuneration charged by the Group. To determine whether the Group is as an agent and or a principal, the management considers the following:

- the Group does not transfer ownership of the goods/services and is not responsible for their quality;
- credit risks are taken by the supplier of the goods/services despite that the Group collects payments from customers;
- the Group cannot alter the sale price of goods/services.

The Group applies practical expedient for maintenance services, which allows not to recognise a significant financing component when the period between the payment and satisfaction of a performance obligation under the contracts does not exceed 12 months.

### *(iv) Other revenue*

Other revenue generally consists of revenue from the sale of construction materials and is recognised in the consolidated statement of profit or loss and other comprehensive income at the time of transfer of control to the customer, usually at the time of shipment from the warehouse.

In addition, the Group sells apartments on the secondary market, mainly acquired as a result of trade-in programs. Revenue is recognised in the amount of consideration according to the contract at the time when the performance obligation is satisfied usually at the time of state registration of the transaction.

Since the period between the payment and satisfying of a performance obligation under the contracts does not exceed 12 months, the Group applies a practical expedient, which allows not to recognize a significant financing component.

## (c) Other expenses

### *(i) Social expenditure*

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

## (d) Finance income and costs

Finance income comprises dividends receivable, interest income on funds invested, gains on disposal of financial assets, remeasurement of cash-settled financial instruments at fair value through profit or loss, write-off of accounts payable, interest rate subsidy income, foreign exchange gains and unwinding of discount, accounted for on initial recognition of financial instrument. Interest income is recognised in profit or loss for the period as accrued using the effective interest method.

Finance costs comprise interest expense on loan and borrowings, lease liabilities, losses on disposal of financial assets, remeasurement of cash-settled financial instruments at fair value through profit or loss, dividends to non-controlling interest owners in the profits of the Group’s companies registered in the form of limited liability companies, unwinding of discount, accounted for on the initial application, significant financing component for advances obtained from customers, and impairment losses recognised on financial assets.

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

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of a financial instrument to:

- the gross carrying amount of a financial asset; or

- the amortised cost of a financial liability.

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

### (e) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost denominated in functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost denominated in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in the translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income, if any.

### (f) Employee benefits

#### *(i) Contributions to state pension fund*

Payments made by the Group to the Pension Fund of the Russian Federation in accordance with the legislation are classified as a defined contribution plan, which is a post-employment benefit plan under which a company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay any additional amounts. Obligations for contributions to such pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### *(ii) Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided in accordance with labor agreements. A liability is recognised in the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and this liability can be estimated reliably.

### (g) Provisions

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

The consolidated statement of profit or loss and other comprehensive income recognises the result of insignificant changes in the terms of performance of obligations, payment schedules and discount rates used to calculate the provision at the reporting date.

#### *(i) Provision for costs to complete*

According to the development projects' terms, the Group commits to constructing social and cultural facilities and infrastructure to be transferred to authorities and governing agencies. During the construction of every building, the Group includes in its cost of construction the amount of construction costs related to such social and cultural facilities and infrastructure even if they are not incurred and recognises a provision for costs to complete. The cost of infrastructure and social and cultural objects is apportioned to properties being built and sold proportionally to the square meters and is recognised depending on a stage of completion of each house. The Group also creates reserves for the completion of acquisition of all land plots under the project. The Group is implementing a number of projects, the land plots for which are leased/owned, subject to the relocation of the defrauded shareholders. In case of obligations arising from entering a project, for example, the obligation to provide real estate properties in the Group's projects to defrauded shareholders from third-party projects, the provision is created in full at the time of the acquisition of the land plot for this project and/or the conclusion of an agreement with the municipal authorities.

### *(ii) Tax provision*

The Group accrues provisions for the payment of taxes for tax exposures, including fines and penalties, when the position of the Group can be challenged with a high probability, based on the requirements of current legislation. Such provisions are maintained, and updated if necessary, for the period over which the respective tax positions remain subject to review by the tax authorities. Upon expiry of the review period the provisions are released. Provisions for the payment of taxes on income tax risks are reflected in the income tax expense, provisions for the payment of other taxes may be attributed to other items in the statement of financial performance, depending on the types of taxes in respect of which the risk arose.

### *(iii) Provision for litigation*

A provision is recognised if it is probable that the Group will lose a litigation in which the Group is the defendant and the obligation will have to be settled.

### *(iv) Provision for warranty obligations*

Under the terms of contracts and generally accepted practice, the Group recognises a provision for elimination of possible construction defects as soon as the related sales proceeds are recognised. The provision amount is calculated based on historical data on the work performed on warranty repairs, by multiplying the revenue for construction woks performed recognised in the reporting period by the ratio of the actual costs of eliminating defects and faults to the proceeds from the sale of the corresponding types of work/properties for the previous three years.

### *(v) Provision for onerous contracts*

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

## (h) Property, plant and equipment

### *(i) Recognition and measurement*

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

***(ii) Subsequent expenditure***

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

***(iii) Depreciation***

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

- buildings 20-60 years;
- infrastructure facilities 20-60 years;
- plant and equipment 5-25 years;
- other 5-10 years;

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

**(i) Intangible assets and goodwill**

***(i) Goodwill***

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

***(ii) Client base***

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

***(iii) Concession***

The Group recognises the rights to use infrastructure constructed/renovated by it and owned by local authorities under concession agreements for which the Group is granted the right to provide heating and water services to the public. Such intangible assets are carried at cost less depreciation and possible impairment expenses.

***(iv) Software***

The software includes acquired rights and licenses for software products used, mobile applications, management programs, including Smart Home systems, as well as applications and developments for interacting with customers.

***(v) Other intangible assets***

Other intangible assets include research and development of design solutions for real estate development.

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

***(vi) Subsequent expenditure***

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

***(vii) Amortisation***

Amortisation is calculated based on the actual cost of an asset, or another amount substituted for cost, less the residual value of the asset.

Each item of intangible assets except for goodwill and client base is amortised on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The average estimated useful lives for the current and comparative periods are shown below:

- concession 22-24 years;
- software 1-10 years;
- other intangible assets 1-15 years.

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

**(j) Investment property**

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

Investment property comprises land plots with undetermined future use.

Investment property is initially measured at cost and subsequently measured at fair value through profit or loss.

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

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

**(k) Financial instruments**

***(i) Recognition and initial measurement***

Trade accounts receivable and issued debt securities are recognised at the time of their origination. All other financial assets and liabilities are initially recognised when the Group enters into contractual relations regarding the instruments in question.

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

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

At initial recognition, a financial asset is classified as an asset measured at amortised cost only if the asset meets both of the following conditions and is not designated as at FVTPL:

- an asset is held within a business model whose objective is to hold assets to collect contractual cash flow; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Upon initial recognition of investments in equity instruments not held for trading, the Group may irrevocably elect to present subsequent changes in their fair value in other comprehensive income. This choice is made for each investment separately.

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

**Business model assessment**

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- management compensation (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- the frequency, volume, and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**The assessment of whether contractual cash flows are solely payments of principal and interest**

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

In assessing whether the contractual cash flows are solely payments of principal and interest for the principal amount outstanding (SPPI criterion), the Group analyses the contractual terms of the financial instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows resulting in the financial asset not meeting the mentioned condition. In making this assessment, the Group considers:

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

The prepayment condition meets the SPPI criterion if the amount paid on prepayment represents essentially an outstanding portion of the principal and interest on the outstanding portion and may include reasonable additional compensation for early termination. In addition, the prepayment condition is considered to comply with this criterion if the financial asset is acquired or created at a premium or discount in relation to the nominal amount specified in the contract, the amount payable on early repayment is essentially the nominal amount specified in the contract plus accrued contractual interest (but unpaid) (and may also include reasonable additional compensation for early termination of the contract); and at the initial recognition of the financial asset, the fair value of its prepayment condition is insignificant.

**Subsequent measurement of financial assets**

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

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

***(iii) Non-derivative financial liabilities – classification and measurement***

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

***(iv) Modification of the terms of financial assets and liabilities***

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified instrument are substantially different. If the cash flows are substantially different ("substantial modification"), then the original financial asset is derecognised and a new financial asset is recognised at fair value.

The result of the modification is reflected in the profit and/or loss of the current period.

If the cash flows of the instrument carried at amortised cost are not substantially different, then the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount using the original discount rate as a modification gain or loss in profit or loss. The costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset/liability.

For the purpose of quantitative assessment, the terms of a financial asset/liability are substantially different if the present value of the cash flows under the new terms, including commissions paid net of commissions received, discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instrument with another or modification of terms is accounted for as an extinguishment, the costs or commissions incurred are recognised as part of the gain or loss on the extinguishment of the related debt obligation. If the exchange of one debt instrument with another or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

***(v) Derecognition – financial assets***

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

***(vi) Derecognition – financial liabilities***

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

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

***(vii) Offsetting***

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

***(viii) Financial guarantee contracts***

Financial guarantee contracts entered into by the Group to guarantee the indebtedness of third and related parties are accounted for in accordance with IFRS 4 “Insurance contracts”.

**(l) Equity**

Share capital is reflected in the amount of the nominal value of all issued shares. Incremental costs directly attributable to issue ordinary shares and share options are recognised, net of any tax effects, as a deduction from the equity in additional paid-in capital.

**(m) Leases**

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**As a lessee**

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

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group applies the following principles in accounting for leases of land plots for the construction of real estate objects:

- lease agreements are concluded for a long term, and the Group determines the lease term under the contract based on the timing for completion of construction and transfer of the real estate to customers, which on average range from 2 to 8 years;

- contracts for which lease payments change unilaterally during the lease term and are independent of the index or rate, i.e. do not reflect changes in market rental rates, are not included in the calculation of the lease liability and are recognised as they become due. For leases of municipal (or federal) land where lease payments are based on the cadastral value of the land and do not change until the next potential revision of that value or payments (or both) by the authorities, the Group has determined that such lease payments are neither variable (which depend on any index or rate or reflect changes in market rental rates) nor substantially fixed, and therefore these payments are not included in the measurement of the lease liability;

- payments for change of authorised type of usage of land under lease agreement are accounted for as lease-related costs and are included in the calculation of lease assets and liabilities;
- in cases, when there is sufficient certainty that the Group will exercise the option to purchase the land provided in the lease agreement, the redemption amount is included in the lease payment schedule. At the same time, many agreements contain the obligation to buy the land plot, but the Group can default it without a significant impact on its financial results and without incurring material expenses. Under such agreements the Group considers that sufficient certainty arises only if the decision to construct the residential property on the land plot has been made.

Land plots in the form of right-of-use assets where the construction is underway are included in the cost of construction, depending on the percentage of completion of each building. Amortisation of other lease assets is carried out on a straight-line basis commencing from the start date of the lease till the end of the lease term and is recognised in administrative expenses when the asset is used for administrative purposes, and as part of the cost when it is used for production purposes.

### (n) Inventories

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

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of real estate properties under construction is determined based on direct costs of each building, general site costs, land and right-of-use asset acqusition costs, costs to construct infrastructure and social and cultural facilities, interest expense related to the qualifying asset, including a significant financing component, and also other expenses directly attributable to the development project allocated to real estate objects in proportion to their size.

Actual costs of acquiring land plots and right-of-use assets, social and cultural facilities, infrastructure facilities from the date of the commencement of active development up to the date of obtaining construction permit, to the extent that they are not included in the cost of sales, are recognised by the Group as a qualifying asset for capitalisation of interest purposes.

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

- delivery of certain properties to local authorities upon completion of construction, e.g., schools, kindergartens, etc, free of consideration receivable;
- construction of certain infrastructure facilities, e.g., electricity, sewage systems, water supply and sanitation, roads;
- construction of certain objects for public use, where the expected compensation from customers will not completely reimburse the Group's costs incurred, e.g., certain parking spaces;
- entering into agreements with local authorities to complete construction of certain residential properties where apartments were pre-sold by a predecessor developer, however, construction was subsequently suspended due to insolvency of such predecessor developer or other similar reasons.

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

The cost of inventories, except for construction-in-progress intended for sale and resources invested in the construction of property intended for sale, is calculated using weighted average costs formula and includes inventory purchase costs, manufacturing and conversion expenditures, and other costs of transporting inventories to their current location and bringing them to the current condition. The cost of manufactured inventories and work-in-progress includes the portion of overheads determined based on normal operating capacity. The cost of inventory presented by funds invested in the construction of real estate objects intended for sale is accounted for at the actual cost of each object.

The Group’s normal operating cycle for a construction project may exceed 12 months. Inventories are classified as current assets even when they are not expected to be sold within 12 months after the reporting date.

### (o) Impairment

***Non-derivative financial assets***

*Financial instruments and contract assets*

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

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

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

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

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

The Group considers a financial asset, except for financial assets under contracts for the provision of housing and utility services, to be default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

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

- the asset was recognised more than 36 months before the reporting date;
- no payments from customers are received during the entire term.

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

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

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

*Measurement of ECLs*

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

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

In assessing the expected credit losses for individually insignificant balances of accounts receivable from the provision of utilities and other housing and utility services, the Group applies a simplified approach based on debt collection statistics for the last two years.

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

*Credit-impaired financial assets*

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due; for financial asset relating to maintenance and utility services contracts – more than 365 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

*Write-off*

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

***Non-financial assets***

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

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

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

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

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

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

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

### (p) Income tax

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

The amount of current tax payable or receivable is calculated on the basis of the estimated taxable annual income or loss using the tax rates in effect or substantively enacted at the reporting date, including adjustments to income tax for previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

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

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow 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 tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group’s main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

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

### (q) Earnings per share

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

### (r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Separate financial information is available for a segment, and the operating performance of such a component is regularly reviewed by the Management Board of the Group for the purposes of resource allocation and performance evaluation.

Those expenses and income that have not been attributed to the results of certain segments are disclosed in note 6 (c).

As a rule, inter-segment pricing is determined on an arm’s length basis.

# 38 New Standards

A number of new requirements are effective for annual periods beginning after 1 January 2020 and early adoption is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

**(a) Onerous contracts – Contract performance costs (Amendments to IAS 37 "Estimated Liabilities, Contingent Liabilities and Contingent Assets")**

These amendments specify which costs an entity includes in determining the cost of fulfilling a contract to assess whether the contract is onerous. These amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group is in the process of evaluating the terms of the contracts existing at 31 December 2020 to determine whether they will be completed before the amendments become effective, as well as to assess the potential effect.

**(b) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases")**

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosure", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" relating to:

- changes in the basis for determining the cash flows provided for in the contract for financial assets, financial liabilities and lease obligations;
- hedge accounting.

The Group does not expect a material impact on the amounts reflected in the current consolidated financial statements.

**(c) Other**

The following amendments to the standards and clarifications are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to the Reference to the Conceptual Framework of Financial Reporting in the IFRS standards;
- Definition of business (amendments to IFRS 3 "Business Combinations");
- Definition of Materiality (amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors");
- Extension of the temporary exemption from the application of IFRS 9 "Financial Instruments" (amendments to IFRS 4 "Insurance Contracts");
- COVID-19-Related Rent Concessions (amendment to IFRS 16 "Leases");
- Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16 "Property, Plant and Equipment");
- Classification of liabilities as Current or Non-current (Amendments to IAS 1 "Presentation of Financial Statements");

- Definition of Significant (amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”);
- IFRS 17 “Insurance Contracts”.

# 39 Non-IFRS measures

***Net debt***

| mln RUB | Note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Loans and borrowings, excluding project financing | 26 | 68,819 | 64,350 |
| Project financing | 26 | 163,276 | 75,197 |
| Less: Cash and cash equivalents | 22 | (96,527) | (66,208) |
| **Net debt** | | **135,568** | **73,339** |

***Net debt except for escrow accounts balances***

| mln RUB | Note | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Loans and borrowings, excluding project financing | 26 | 68,819 | 64,350 |
| Project financing | 26 | 163,276 | 75,197 |
| Less: Cash and cash equivalents | 22 | (96,527) | (66,208) |
| Less: Escrow accounts balances | 22 | (90,303) | (16,061) |
| **Net debt** | | **45,265** | **57,278** |

### *Development capital expenditures (cash flows), except for cash paid for the acquisition of land plots/right-of-use assets*

| **mln RUB** | **Note** | **2020** | **2019** |
|---|---|---|---|
| **Changes in:** | | | |
| Construction-in-progress, intended for sale | 18 | 23,468 | 53,186 |
| Finished goods and goods for resale | 18 | 1,720 | (482) |
| Right-of-use asset | 18, 21 | 8,208 | 1,912 |
| Advances to suppliers and contractors in development projects | 20 | (4,341) | 4,672 |
| Advances issued for land plot acquisition | 20 | 3,939 | 2,534 |
| Accounts payable under development contracts and other trade payables | 29 | (3,440) | 5,123 |
| Accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acquisition transactions and long-term lease liabilities | 21, 29 | (1,648) | (3,157) |
| Provisions for costs to complete and provision for unprofitable contracts | 28 | (2,830) | (3,385) |
| Elimination of effect capitalisation of interest expense on construction-in-progress | | (5,132) | (4,624) |
| Reclassification of investment property to inventories | 17 | - | (11,412) |
| Reclassification from inventories to property, plant and equipment and vice versa | 15 | 933 | 3,937 |
| | | **20,877** | **48,304** |
| Cost of sales of real estate objects and development projects | | 215,647 | 167,846 |
| Elimination of capitalised interest expense recognised in the cost of sale of real estate objects | 10 | (8,272) | (5,462) |
| Acquisition of land plots and lease rights, including acqusition of subsidiaries | 18 | (56,700) | (37,390) |
| Change in accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acqusition transactions and long-term lease liabilities | 21, 29 | 1,648 | 4,645 |
| Change in advances issued under land plot/right-of-use asset acquisition contracts | 20 | (3,939) | (6,044) |
| **Development capital expenditures, except for cash paid for the acquisition of land plots/right-of-use assets** | | **169,261** | **171,899** |

### *Proceeds from sales of real estate*

| **mln RUB** | **Note** | **2020** | **2019** |
|---|---|---|---|
| Revenue from sales of real estate objects | 9 | 294,579 | 233,318 |
| Less: Significant financing component and interest expense savings from project financing of construction of real estate sold through the use of escrow accounts recognised in revenue | 9 | (7,889) | (7,430) |
| Change in accounts receivable, including contract assets | 9 | (57,187) | (8,236) |
| Change in advances from customers | 9 | (30,188) | (6,767) |
| Less: Change in unrecognised economies from escrow contracts in accounts payable | 9 | (995) | - |
| Interest on mortgage loans subject to compensation to banks and recognised in revenue and advances from customers | 9 | 2,673 | - |
| **Cash proceeds from sales of real estate objects** | | **200,993** | **210,885** |
| Proceeds from sales of real estate through escrow accounts | 22 | 77,580 | 14,916 |
| Cash proceeds from escrow accounts upon completion of real estate construction | 22 | (3,338) | - |
| **Proceeds from sales of real estate, including proceeds to escrow accounts** | | **275,235** | **225,801** |

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

| mln RUB | Note | 2020 | 2019 |
|---|---|---|---|
| Profit and total comprehensive income for the period | | 86,493 | 45,113 |
| Plus: Depreciation of property, plant and equipment and amortisation of intangible assets | 15, 16 | 3,479 | 3,024 |
| Plus: Interest expense after capitalisation | 10 | 4,753 | 2,837 |
| Plus: Significant financing component on contracts with customers | | 2,568 | 5,166 |
| Less: Interest income | 10 | (4,034) | (3,223) |
| Plus: Income tax expense | 14 | 18,782 | 14,125 |
| **EBITDA** | | **112,041** | **67,042** |

### *Adjusted earnings before interest, taxes, depreciation and amortisation (see above) as additionally adjusted (see below) (Adjusted EBITDA)*

| mln RUB | Note | 2020 | 2019 |
|---|---|---|---|
| **EBITDA** | | **112,041** | **67,042** |
| Less: significant financing component and interest expense savings on from project financing of construction of real estate sold through the use of escrow accounts recognised in revenue | 9 | (7,889) | (7,430) |
| Gain on reversal of impairment losses on non-financial assets, net | 23 | (996) | (91) |
| Impairment loss included in cost of sales, net | 23 | 380 | 324 |
| (Profit)/loss from change in fair value of investment property | 17 | (480) | 20 |
| Negative goodwill from acquisition of subsidiaries | 11 | (120) | (4,719) |
| Impairment loss on financial assets, net | 10 | 1,598 | 408 |
| Reversal of write-off of accounts payable | 10 | (122) | (525) |
| Foreign exchange gain, net | 10 | (24) | (31) |
| Loss on disposal of property, plant and equipment | 11 | 5 | 18 |
| Gain on disposal of subsidiaries, associates and investment property, net | 8 | (620) | (668) |
| Penalties and fines, including provision for litigations | 11 | 1,038 | 1,858 |
| Write-off of other materials | | 208 | 194 |
| Other finance income | 10 | (49) | (778) |
| Elimination of revaluation of cash-settled financial instruments and financial liability | 10 | (24,140) | (3,138) |
| Interest expense written off to cost of sales | 10 | 8,496 | 5,762 |
| **Adjusted EBITDA** | | **89,326** | **58,246** |

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# Supplementary information not required by IFRS

***Cash from operating activities before acquisition expenses and proceeds from the sale of land plots and right-of-use asset and advances issued for the acquisition of land plots and right-of-use assets***

| mln RUB | 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities before changes in inventories, accounts receivable and payble and provision for costs to complete** | **87,031** | **52,584** |
| **Changes in:** | | |
| Inventories before acqusitions and sale of land plots/right-of-use asset | 30,827 | (5,910) |
| Receivables, including contract assets and excluding advances issued for the aqcuisition of land plots/right-of-use asset | (80,370) | (23,377) |
| Payables, including contract liabilities and changes in the provision for taxes, other than income tax | (15,823) | (7,228) |
| Provisions | 2,086 | (3,670) |
| **Cash flows from operations before income taxes and interest paid and before acqusitions expenses and proceeds from sale of land plots/right-of-use asset and advances issued for the aqcuisition of land plots/right-of-use asset** | **23,751** | **12,399** |
| Income taxes paid | (6,326) | (8,390) |
| Interest paid | (9,089) | (8,659) |
| **Net cash flows from/(used in) operations before acquisitions expenses and proceeds from sale of land plots/right-of-use asset and advances issued for the aqcuisition of land plots/right-of-use asset** | **8,336** | **(4,650)** |
| Acquisition of ownership and lease of project land plots, including acquisition of subsidiaries | (56,700) | (37,390) |
| Gain on sales of land plots/right-of-use asset | 75 | 283 |
| Changes in accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acquisition transactions and long-term lease liabilities | 1,648 | 4,645 |
| Change in advances issued for the acquisition of land plots/right-of-use asset | (3,939) | (6,044) |
| **Net cash used in operating activities** | **(50,580)** | **(43,156)** |

# Independent Auditors' Report

**To the Shareholders and the Board of Directors of**

**PUBLIC JOINT STOCK COMPANY "PIK-SPECIALIZED HOMEBUILDER"**

**(previously - PJSC Group of Companies PIK)**

## Opinion

We have audited the consolidated financial statements of PUBLIC JOINT STOCK COMPANY "PIK-SPECIALIZED HOMEBUILDER" (previously - PJSC Group of Companies PIK, "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 (IFRS).

## 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

Please refer Note 9 to the consolidated financial statements.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group recognizes revenue from contracts with customers in most cases over time based on progress towards complete satisfaction of the performance obligation determined using the input method.<br><br>The forecast of total construction costs serving as the basis for the Group's estimation of progress towards satisfaction of the performance obligation involves the use of significant professional judgment and certain assumptions. Uncertainty is inherent in estimation of costs to complete due to the volatility of the economic environment, possible changes in project parameters and the duration of the operating cycle.<br><br>In addition, the transaction price in contracts with customers is determined taking into account a significant financing component or savings on interest expense, and certain other variable components, which requires calculations that are technically complex and carries a risk of material misstatement. In the reporting period the Group started a number of projects, where sales are conducted using escrow accounts, which significantly increased the complexity of calculations for revenue recognition. | Our audit procedures included:<br><br>— We analyzed the Group's accounting policy for revenue recognition from contracts with different types of customers and the methodology applied to determine the amount of revenue in the reporting period.<br><br>— On a sample basis, we compared components of the budgets used to determine progress towards complete satisfaction of the performance obligation with the parameters of construction projects specified in respective construction permit documentation. We compared the expected cost of construction per square meter in the budgets of selected projects to the cost of construction per square meter in similar completed projects and critically assessed comments obtained on significant deviations identified.<br><br>— Among other procedures, we agreed on a sample basis costs incurred to the supporting documentation.<br><br>— We tested the arithmetical accuracy of calculations of progress towards complete satisfaction of the performance obligation for selected groups of contracts. |

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| | — We agreed, on a sample basis, input data used in revenue calculations to contracts with customers.<br>— We compared the applied discount rates to the interest rates which, in our view, were available to the parties receiving financing. On a sample basis we recalculated the significant financing component and savings on interest expense as part of the transaction price.<br>— On a sample basis, we tested whether contracts with customers were registered with the Rosreestr. |

**Provision for costs to complete**

Please refer Note 28 to the consolidated financial statements.

| **The key audit matter** | **How the matter was addressed in our audit** |
|---|---|
| Due to a long operating cycle of the development project, a significant share of general project costs forming the full cost of construction may be incurred subsequent to the satisfaction of a performance obligation under contracts with customers and corresponding revenue recognition.<br>As construction of real estate properties progresses, the Group includes in construction costs expenditures to construct social and cultural facilities and other infrastructure not to be transferred to joint ownership of customers, using the stage of completion of the respective real estate properties, and recognizes respective provision for costs to complete, if they are incurred later.<br>The amount of the provision is assessed at each reporting date based on the construction permits' requirements for social and cultural facilities and infrastructure in every project, the expected costs of their construction, the stage of completion of the respective real estate | Our audit procedures included:<br>— We analyzed the Group's budgeting procedures to forecast costs to complete and the approach used to allocate general costs to real estate properties constructed for sale by the Group.<br>— On a sample basis, we compared the components of the budgets with respect to social and cultural facilities and infrastructure with the parameters of the projects as set out in the relevant construction permit documentation, as well as to the data from the budgets used in the calculations at the previous reporting date, and critically assessed the explanations received on the significant deviations identified.<br>— We compared the calculation of the expected costs to construct the selected social and cultural facilities and infrastructure with the actual costs incurred to construct similar facilities in the completed projects of the Group. |

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| properties, to the cost of which the provision is allocated, and the time value of money.<br><br>The estimates may vary significantly as a result of changes in project parameters, prices for materials and labor, timeline of projects, therefore the calculations involve the risk of material misstatement. | — On a sample basis, we reconciled the costs incurred to the supporting documents.<br><br>— For selected properties, we agreed whether the same percentages of completion were used in the calculations of provision and revenue recognition from contracts with customers for a property.<br><br>— For selected properties, we recalculated the amounts of provision based on the budgets prepared by the Group's management. |

## Other matter

The supplementary information accompanying the consolidated financial statements on page 84 is presented solely for the convenience of users, does not form part of the consolidated financial statements and is unaudited.

## Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

## Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditors' 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 auditors' 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 scepticism 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628 КПМГ KPMG МОСКВА

Svetlana Fonareva

JSC "KPMG"
Moscow, Russia

19 March 2021