

Etalon Group PLC

Consolidated Financial Statements

For the year ended 31 December 2021

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors

Gennadii Shcherbina (appointed on 30 April 2021)
Alexander Voloshin (appointed on 30 April 2021)
Sergey Egorov (appointed on 19 February 2019)
Oleg Mubarakshin (appointed on 19 February 2019)
Marina Ogloblina (appointed on 19 February 2019)
Ganna Khomenko (appointed on 19 February 2019)
Martin Robert Cocker (appointed on 12 November 2010 and resigned on 4 March 2022)
Boris Svetlichny (appointed on 15 April 2013)
Charalampos Avgousti (appointed on 10 November 2016)
Maksim Berlovich (appointed on 27 April 2018)
Denis Vinokurov (appointed on 9 November 2018)
Vitaly Pyltsov (appointed on 4 April 2022)

Secretary

G.T. Globaltrust Services Limited
Themistokli Dervi, 15
Margarita House, 5th floor, flat/office 502
1066 Nicosia
Cyprus

Registered Office

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

Independent auditors

Deloitte Limited
Certified Public Accountants and Registered Auditors
24 Spyrou Kyprianou Avenue
1075, Nicosia
Cyprus

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors of Etalon Group PLC (the “Company”) presents its Consolidated Management Report together with the audited Consolidated Financial Statements of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2021. The Group’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Review of the development and performance of the Group’s business and its position

The results of the Group for the year ended 31 December 2021 are set out on page 19 of the consolidated financial statements.

(a) Revenue

The Group’s total revenue for the year ended 31 December 2021 amounted to RUB 87 138 million compared to RUB 78 655 million for the year ended 31 December 2020, an increase of RUB 8 483 million or 11%.

Revenue of the reportable segment “Residential development” increased by RUB 4 793 million or 7%, due to an increase in the revenues recognised from the sales of flats by RUB 5 269 million or 9%, an increase in the revenues recognised from the sales of parking places by RUB 395 million or 10%, and a decrease in the revenues recognised from the sale of built-in commercial premises by RUB 871 million or 18%.

External revenues of the reportable segment “Construction services” decreased by RUB 736 million or 23% mainly due to completion of long-term construction contracts entered into in previous periods and not entering into new ones, aiming to reduce the Group’s presence in the segment.

External revenues of the reportable segment “Other” increased by RUB 4 426 million or 88% due to an increase in other revenue transferred at a point in time by RUB 2 184 million, an increase in the sales of construction materials by RUB 983 million or 40%, an increase in the sale of stand-alone commercial premises transferred over time by RUB 586 million or 480%, an increase in sale of stand-alone commercial premises transferred at a point in time by RUB 359 million or 100% and an increase in other revenue related to servicing of premises by RUB 396 million or 22%, partially offset by a decrease in rental revenue by RUB 82 million or 12%.

(b) Gross profit

Gross profit for the year ended 31 December 2021 amounted to RUB 27 782 million compared to RUB 21 915 million for the year ended 31 December 2020, an increase of RUB 5 867 million or 27%, which was mainly driven by the increase in gross profit of the reportable segment “Residential development” by RUB 4 562 million or 22% and an increase in gross profit of the reportable segment “Other” by RUB 1 616 million or 301%.

(c) Results from operating activities

Profit from operating activities during the year ended 31 December 2021 amounted to RUB 13 246 million compared to RUB 10 218 million for the year ended 31 December 2020, an increase of RUB 3 028 million or 30%.

During the year ended 31 December 2021, general and administrative expenses increased by RUB 549 million or 10%, selling expenses increased by RUB 79 million or 2%, other expenses, net increased by RUB 2 371 million or 151%, as compared to the year ended 31 December 2020.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

(d) General and administrative expenses

The increase in general and administrative expenses was mainly caused by the increase in payroll and related taxes by RUB 350 million or 11%.

(e) Other expenses, net

During the year ended 31 December 2021, other expenses, net, increased by RUB 2 371 million or 151% mainly due to an increase in impairment loss on inventories by RUB 1 378 million or 204%, an increase in fees and penalties incurred by RUB 256 million or 382%, and an increase in cost of social infrastructure for completed projects by RUB 377 million or 212%.

(f) Net finance costs

Net finance costs for the year ended 31 December 2021 increased by RUB 1 885 million or 34% as compared to the year ended 31 December 2020.

Finance income increased by RUB 500 million or 25% mainly due to an increase in interest income on cash and cash equivalents and bank deposits by RUB 692 million or 63%, an increase in interest income - financing component under IFRS 15 by RUB 138 million or 92%, offset by a decrease in the amount credited to the income statement in respect of the unwinding of the discount on trade receivables of RUB 325 million or 51%.

Finance costs increased by RUB 2 385 million or 32% due to an increase in borrowing costs by RUB 1 154 million or 23% due to the transition from the scheme of customer financing to the bank project financing scheme, an increase in interest expense on leases by RUB 331 million or 198%, an increase in the amount debited to the income statement in respect of the unwinding of the discount on other payables by RUB 1 509 million or 165%, which was mainly caused by unwinding of the discount on long-term accounts payable for the acquisition of land plot (82% share in LLC “Specialized Developer “ZIL-YUG”), and net foreign exchange loss of RUB 297 million, offset by a decrease in financing component under IFRS 15 by RUB 1 027 million or 73%.

(g) Income tax expense

Income tax expense for the year ended 31 December 2021 amounted to RUB 2 842 million compared to an income tax expense of RUB 2 686 million for the year ended 31 December 2020.

(h) Profit for the year

The profit for the year ended 31 December 2021 amounted to RUB 3 007 million, compared to a profit of RUB 2 036 million for the year ended 31 December 2020.

(i) Adjusted net debt/adjusted EBITDA and net corporate debt/adjusted EBITDA ratios

As described in note 24 and in the Supplementary Information section, certain bank loans are subject to restrictive covenants which are calculated based on the consolidated financial statements of the Group. The loans used to finance the acquisition of JSC “Leader Invest” require the Group to maintain adjusted net debt/adjusted EBITDA ratio below 4. The structure of the Group’s adjusted net debt, being negative (specified assets exceed borrowings), is minus 2.18, well below the required ratio.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

The Group also monitors the ratio of net corporate debt (total loans and borrowings less secured project financing less cash and cash equivalents less bank deposits over 3 months) to adjusted EBITDA. Following the transition to settlements with customers through escrow accounts and to financing of construction by means of project financing, the classical net debt/EBITDA indicator distorts the actual debt burden. At the appropriate level of coverage of project loan with cash on escrow accounts, nominal interest rates on such debt are reduced to near-zero values, well below the market rates. As of 31 December 2021, the ratio amounted to 0.18 which is in line with the Group's target for the ratio being less than 2-3x.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in the notes 1(b), 2(d) and 27 of the Consolidated Financial Statements.

Future developments of the Group

Considering the effects of the events that took place subsequent to the reporting date and described in note 33 of the Consolidated Financial Statements, the Board of Directors acknowledges that the current geopolitical situation and the resulting economic developments in Russia may have an adverse impact on operations and financial results of the Group in the future. Still, the Group continues to adhere to its strategy, including regional expansion, and to sustain the scale of its operations, and overall will be able to continue its business for the foreseeable future.

Activities related to research and development

The Group has not undertaken any material activities in the field of research and development during the year ended 31 December 2021.

Branches

The Group operated through branches in Moscow and Saint Petersburg and 15 representative (sales) offices across the Russian Federation during the year ended 31 December 2021. The Company did not operate through any branches other than in Moscow and Saint Petersburg.

Use of financial instruments by the Group

The classes of financial instruments used by the Group, the Group's financial risk management objectives and policies as well as the Group's exposure to credit risk, liquidity risk and market risk are disclosed in the note 27 of the consolidated financial statements.

Dividends

On 24 September 2021, the Board of Directors recommended a final dividend of RUB 9.39 per share for the financial year ended 31 December 2020. The final dividend for the total amount of RUB 3 601 million was approved by the Annual General Meeting of shareholders on 1 December 2021, and the dividends were paid on 16 December 2021. Up to the date of approval of these consolidated financial statements, no dividends have been recommended for distribution for the year ended 31 December 2021.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

Changes in the Company's share capital

On 28 March 2022, the General Meeting of the Shareholders of the Company approved the increase of the authorised share capital of the Company by the issue of 88 487 391 ordinary shares of nominal value of GBP 0,00005 each. On 14 May 2021, the Company announced an offering of rights to subscribe for newly issued Ordinary Shares to the existing holders of the Company's equity securities. Eligible holders of GDRs subscribed for 23 339 732 new ordinary shares and 281 975 new GDRs in total. A rump offering was also completed on 14 May 2021 in which a total of 64 865 684 GDRs was purchased by investors.

Changes in the composition, allocation of responsibilities or compensation of the Board of Directors

The changes in the composition and allocation of responsibilities of the Board of Directors during 2021 and until the date these consolidated financial statements have been authorised for issue, are disclosed in the Board of Directors and other Officers section of these consolidated financial statements. The changes in the compensation of certain members of the Board of Directors are disclosed in note 11 to these consolidated financial statements.

Nonrecurring or unusual activities and other significant events

a) COVID-19 and the Ukrainian crisis

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

The quarantine measures, accompanied by the reduction in the disposable income of households and the increase in unemployment rates, led to the overall decrease of the demand for real estate. During 2020, the Government of the Russian Federation implemented various measures to support both the construction industry and its clients, including the introduction of the preferential 6,5% p.a. mortgage program and an increase of its price limits on apartments, that had a significant positive impact on the demand for real estate. During 2021, price limits for preferential mortgage program have been significantly reduced.

During the year 2021, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including on the operation of the Group's sales offices, and the Group observes that the demand for real estate has recovered.

Since the outbreak of the conflict in Ukraine on 24 February 2022, the US, UK, EU and other countries announced an extension of sanctions on certain Russian officials, businessmen and companies. These developments resulted in reduced access of Russian businesses to international capital, import and export markets, weakening of the Russian Ruble, and other negative economic consequences. This in turn led to an increase in the key interest rate set by the Central Bank of Russia to 20% p.a. (reduced to 17% starting from 11 April 2022).

The impact of these and further developments on future operations and financial position of the Group at this stage is difficult to determine.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

Effective from 1 April 2022, the Government of the Russian Federation introduced special mortgage rates of 12% for newly constructed real estate and increased the price limit up to RUB 12 million per apartment in Moscow and St. Petersburg (RUB 6 million in other Russian cities). Together with special mortgage programs, including a family mortgage program of 6% that continue to be in place, these measures are expected to support the demand for real estate.

b) Amendment of terms of significant contract

During 2014, the Group entered into a transaction for the acquisition of investment rights for a land plot located in Moscow, under which a certain part of the purchase price had to be paid by means of transfer of built-in commercial premises and parking spaces constructed on this land plot. During the year ended 31 December 2021, the Group and the sellers of the plot decided to amend the terms of the contract so that the purchase price for the land plot would be settled in cash. The change in the amount of consideration led to the recognition of other revenue of RUB 2 184 million (note 6) and the recognition of an impairment loss on inventories of RUB 1 544 million (note 9).

Significant events subsequent to the reporting date are disclosed in note 33 of the Consolidated Financial Statements.

Independent Auditors

On 1 December 2021, the Annual General Meeting of shareholders of the Company appointed Deloitte Limited as auditor of the Company to hold office until the conclusion of the next annual general meeting and authorised the Board of Directors to fix the auditor's remuneration.

CORPORATE GOVERNANCE REPORT

Company's internal control and risk management in relation to the preparation of the financial statements

The main documents regulating the activities of the Company are the Cyprus Companies Law, Cap. 113, the UKLA Listing, Prospectus and Disclosure and Transparency Rules, together with the Memorandum and Articles of Association of the Company. The Company has also enacted a number of governance policies and procedures, such as the Management Policy and Committee terms of reference, to ensure that a proper system of corporate governance is in place.

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Group's and the Company's ability to continue as a going concern, considering all available information about the future and for disclosing any material uncertainties related to events or conditions that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE REPORT (CONTINUED)

Those charged with governance are responsible for the implementation of internal control necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and in particular for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Audit Committee is responsible for monitoring the financial reporting process and the integrity of the Company's financial statements. It is also responsible for reviewing internal controls, overseeing how management monitors compliance with the Group's risk management policies and procedures, the effectiveness of the Group's Internal Audit function and the independence, objectivity and the effectiveness of the external audit process. The Audit Committee is also responsible for considering the terms of appointment and remuneration of the external auditor.

Each of the subsidiaries of the Group keeps accounting records for statutory purposes. The preparation of consolidated financial statements involves the transformation of the statutory accounting records into IFRS and the consolidation of financial statements. The Group continues the process of implementing a single Group-wide information system featuring automated consolidation of the accounts that will strengthen internal control and risk management in relation to the preparation of the consolidated financial statements.

The Group believes that its financial reporting functions and internal control systems are sufficient to ensure compliance with the requirements of the FSA's Disclosure and Transparency Rules as a listed company and with the requirement of Cyprus Companies Law, Cap. 113.

Significant direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings)

The authorised and issued share capital of the Company is GBP 39,172 divided into 383 445 362 Ordinary Shares of GBP 0,00005 each and 20,000 redeemable preference shares of GBP 1 each. 294 251 042 ordinary shares (76,7%) are deposited for the issuance of Global Depositary Receipts (GDRs) pursuant to the Deposit Agreement between the Company and the Bank of New York Mellon. The GDRs represent one ordinary share each and at the reporting date have been listed and traded on the Main Market of the London Stock Exchange (LSE). Since the beginning of March 2022, LSE suspended trading in Etalon's GDRs. The Company's GDRs are traded on the Moscow Stock Exchange Starting from 3 February 2020.

As at 31 December 2021, the Company was aware of the following interests in its share capital:

Shareholders	%
Free float	37,5%
Sistema PJSFC	29,8%
Alfa Bank	16,7%
Mubadala Investment Company	6,3%
Kopernik Global Investors	5,0%
Prosperity Capital	4,1%
Management of the Company	0,6%
Total	100%

The holders of any shares with special control rights and a description of these rights

The Company does not have any shares with special control rights.

CONSOLIDATED MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE REPORT (CONTINUED)

Restrictions in exercising of voting rights of shares

The 20 000 preference shares having the par value of GBP 1 each issued by the Company, bear no voting rights. The Company does not have any other restrictions in exercising of the voting rights of its shares.

The rules regarding the appointment and replacement of board members

The Company may by ordinary resolution appoint any person as a director and may by ordinary resolution of which special notice has been given, in accordance with sections 178 and 136 of the Cyprus Companies Law, cap. 113 (the Law), remove a director. Any such director will receive special notice of the meeting and is entitled to be heard at the meeting. Any director has to confirm in writing that he is eligible under the Law.

A director may resign from office as a director by giving notice in writing to that effect to the Company, which notice shall be effective upon such date as may be specified in the notice.

The directors have the power from time to time, without sanction of the Company in general meeting, to appoint any person to be a director, either to fill a casual vacancy or as an additional director.

The office of a director shall be vacated if the director:

- (a) becomes of unsound mind or an order is made by a court having jurisdiction (whether in Cyprus or elsewhere) in matters concerning mental disorder for their detention or for the appointment of a receiver, curator or other person to exercise powers with respect to their property or affairs; or
- (b) is prohibited from acting as director in accordance with section 180 of the Law; or
- (c) becomes bankrupt or makes any arrangement or composition with their creditors generally or otherwise has any judgment executed on any of their assets; or
- (d) dies; or
- (e) resigns their office by written notice to the Company; or
- (f) the Company removes them from their position in accordance with section 178 of the Law.

The rules regarding the amendment of the articles of association

Subject to the provisions of the Law, the Company may, by special resolution, alter or add to its articles of association. Any alteration or addition shall be as valid as if originally contained therein, and be subject in like manner to alteration by special resolution.

By order of the Board of Directors,



Charalampos Avgousti
Director

Sergey Egorov
Director

Nicosia

11 April 2022

Responsibility statement of the Directors and management of the Company in accordance with the Transparency Law









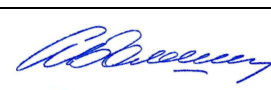



We, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of ETALON GROUP PLC (the ‘Company’), the names of which are listed below, in accordance with the requirements of the Section 9 of the Transparency Requirements (Security Admitted to Trading) Law 190(I)/2007 (hereinafter the “Transparency Law”), as amended, confirm that we have complied with the requirements in preparing the financial statement and that to the best of our knowledge:

(a) The consolidated annual financial statements for year ended 31 December 2021:

(i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in accordance with the provisions of section 9(4) of the Transparency Law and in accordance with Cyprus Companies Law, Cap.113;

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

(b) The management report provides a fair overview on information required as per Section 9(6)(a) of the Transparency Law.

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

11 April 2022

Independent Auditor's Report

To the Members of Etalon Group PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Etalon Group PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 19 to 87 and comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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



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Offices: Nicosia, Limassol

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Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
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Revenue recognition

In accordance with IFRS 15 *Revenue from Contracts with Customers*, the Group recognizes revenue from sale of real estate inventories as performance obligations are satisfied (i.e. over time) or when performance obligations are satisfied (i.e. at a point in time) depending on the type of contract and the date of its registration with the state authorities.

We consider revenue recognition under IFRS 15 to be a key audit matter due to:

- significance of judgments applied when determining at the reporting date percentage of construction completion and the progress toward satisfying the Group's performance obligations under share participation agreements giving rise to over-time revenue recognition;
- the complexity of judgements involved in determining the financing component for the particular share participation agreements, as well as calculating the correct portion to be recognized in profit or loss of the reporting period.

The key sources of estimation uncertainty and accounting policies on revenue under share participation agreements are disclosed in Note 2 (d) and Note 3(i). For other disclosures on revenue refer to Note 6.

Our audit procedures included amongst others:

We analysed the Group's contracts with customers to identify the rights and obligations of the parties, challenged the appropriateness of revenue recognition method used by the Group, taking into account current legal practices in respect of such contracts.

We obtained an understanding, assessed design and implementation and tested the operating effectiveness of controls over the construction costs budgeting process and assessed the appropriateness of assumptions related to estimating the planned costs and expected construction timeline, which are used by the Group's management in measuring the progress toward completion when revenue is recognized over time. In addition, we performed a retrospective analysis of the Group's fulfilment of the budgets and construction milestones in the past.

On a sample basis, we verified the costs of particular construction stages in accordance with the agreements with contractors signed by the reporting date to the costs in the respective stages of the construction budgets. In addition, we inspected a sample of primary documentation supporting the cost of construction incurred by contractors by the reporting date.

We also verified the Group's calculations of recognized revenue and significant financing component by performing the following:

- on a sample basis, we traced input data in the calculations to the respective share participation agreements;
- we verified that the discount rates applied by the Group reflect the credit characteristics of the party receiving financing in the contract, and that the rates determined at contract inception are applied consistently over the contract term;
- we checked the arithmetical accuracy of the Group's calculations.

We reviewed the disclosures in the consolidated financial statements for compliance with the requirements of IFRS 15.

All the above procedures were completed in a satisfactory manner.

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
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Net realizable value of inventories

The Group has significant inventory balance (refer to Note 18 in the consolidated financial statements), which comprises real estate under construction and development, as well as completed properties, construction materials and other inventories. The Group measures its inventories at the lower of cost and net realizable value.

We consider this area to be a key audit matter because it requires use of observable and unobservable inputs and application of a significant degree of judgment when developing assumptions, in particular in relation to:

- the cost to complete construction;
- expected timing and prices of sale;
- the level of overhead expenses as a percentage of revenue;
- the discount rate used to arrive to the present value of the future expected cash flows.

The key sources of estimation uncertainty and accounting policies are disclosed in Note 2(d) and Note 3(h).

Our audit procedures included amongst others:

We evaluated the appropriateness of management's assumptions applied in calculating the carrying value of inventories including:

- obtaining an understanding of the Group's processes and procedures for developing assumptions used and assessing design and implementation;
- assessing the appropriateness of the discount rate used;
- reviewing, recalculating and critically assessing the reasonableness of the assumptions used in calculation of allowance for inventories considering:
 - historical turnover and prices of sales in these and/or similar projects;
 - price growth rates for future sales;
 - budgeted costs to complete construction;
 - budgeted general, administrative and selling expenses.

We also assessed whether the disclosure in the consolidated financial statements in respect of the inventory allowances is in compliance with IFRS requirement.

All the above procedures were completed in a satisfactory manner.

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Why the matter was determined to be a key audit matter How the matter was addressed in the audit

Impact of events after the year end on the operating environment

As disclosed in Notes 1, 2 (b) and 33 of the consolidated financial statements, the developments in Ukraine led to additional sanctions being imposed on certain Russian institutions, companies and individuals by the United States, the United Kingdom, the European Union and other countries, subsequent to the year ended 31 December 2021. This has led to significant market volatility, disruption in the supply chains, increase in interest rates and significantly increased the level of economic uncertainty. This could have a possible negative impact on the operations of the Group.

As disclosed in Note 2 (b) of the consolidated financial statements, the management of the Group has assessed the going concern and other possible impacts on operations. The situation is currently fast moving and management has considered how the events may ultimately impact the Group based on all relevant information currently known.

We consider this area to be a key audit matter due to high level of management judgements and uncertainty on the future impact on the operations and the liquidity of the Group.

Our audit procedures included amongst others:

- challenging management's assessment of the potential risks and uncertainties relevant to the Group as a result of the additional sanctions imposed subsequent to the balance sheet date and impact on operating environment;
- assessing for reasonableness the assumptions applied in the going concern period cash flow forecast for a period of 12 months from the date of the authorization of the consolidated financial statements through evaluating the potential impact on the operation, cash and facilities available to the group, including the location of the cash and facilities available, in which the group operates, the repayment terms and covenants and the ability to draw down further on the existing facilities;
- Considering management's relevant expertise and challenging whether the Group's mitigating actions are reasonable and within the Group's control.

We also assessed adequacy of the related disclosures in the consolidated financial statements.

All the above procedures were completed in a satisfactory manner.

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report and the Responsibility Statement of the Directors and management of the Company in accordance with the Transparency Law, which are presented in pages 4 to 11, and the supplementary information included in pages 88 to 89 presented for the purpose of additional analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view;
- Obtain sufficient and 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 to 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.

Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:


- In our opinion, based on the work undertaken in the course of our audit, the Consolidated Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Consolidated Management Report. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these consolidated financial statements form part of the European Single Electronic Format (ESEF)-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This independent auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

The engagement partner on the audit resulting in this independent auditor's report is Kerry Whyte.



Kerry Whyte
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors


Nicosia, 11 April 2022


mln RUB	Note	2021	2020
Revenue from sale of real estate accounted for at historical cost		53 384	51 801
Revenue from sale of real estate acquired through business combinations and recognised at fair value at initial recognition		21 885	18 675
Other revenue		11 869	8 179
Revenue	6	87 138	78 655
Cost of sales of real estate accounted for at historical cost		(31 676)	(33 744)
Cost of sales of real estate acquired through business combinations and recognised at fair value at initial recognition		(17 904)	(15 605)
Other cost of sales		(9 776)	(7 391)
Cost of sales	7	(59 356)	(56 740)
Gross profit from sale of real estate accounted for at historical cost		21 708	18 057
Gross profit from sale of real estate acquired through business combinations and recognised at fair value at initial recognition		3 981	3 070
Gross profit from other sales		2 093	788
Gross profit		27 782	21 915
General and administrative expenses	8	(5 784)	(5 235)
Selling expenses		(4 639)	(4 560)
Impairment loss on trade and other receivables	27 (b)(ii)	(169)	(329)
Other expenses, net	9	(3 944)	(1 573)
Results from operating activities		13 246	10 218
Finance income – interest revenue	12	2 392	1 887
Finance income – other	12	136	141
Finance costs	12	(9 909)	(7 524)
Net finance costs		(7 381)	(5 496)
Share of loss of equity accounted investees		(16)	-
Profit before income tax		5 849	4 722
Income tax expense	13	(2 842)	(2 686)
Profit for the year		3 007	2 036
Total comprehensive income for the year		3 007	2 036
Profit attributable to:			
Owners of the Company		3 007	2 036
Profit for the year		3 007	2 036
Total comprehensive income attributable to:			
Owners of the Company		3 007	2 036
Total comprehensive income for the year		3 007	2 036
Earnings per share			
Basic and diluted earnings per share (RUB)	23	8,59	6,90

mln RUB	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	14	4 050	3 508
Investment property	15	416	691
Other long-term investments	16	1 489	424
Trade and other receivables	19	3 345	4 253
Deferred tax assets	17	7 347	6 692
Total non-current assets		16 647	15 568
Current assets			
Inventories under construction and development	18	95 431	102 179
Inventories - finished goods	18	13 023	11 291
Other inventories	18	1 699	1 975
Advances paid to suppliers	19	10 857	8 137
Costs to obtain contracts		892	840
Contract assets	19	25 332	7 138
Trade receivables	19	6 308	6 358
Other receivables	19	6 243	5 557
Income tax receivable		953	1 434
Short-term investments	20	126	212
Cash and cash equivalents	21	44 587	25 830
Total current assets		205 451	170 951
Total assets		222 098	186 519
EQUITY AND LIABILITIES			
Equity			
Share capital	22	2	2
Share premium	22	26 367	15 486
Reserve for own shares	22	(1)	(1)
Retained earnings		34 992	35 586
Total equity attributable to equity holders of the Company		61 360	51 073
Total equity		61 360	51 073

mln RUB	Note	2021	2020
Non-current liabilities			
Loans and borrowings	24	67 132	34 636
Trade and other payables	26	31 230	26 734
Provisions	25	117	129
Deferred tax liabilities	17	7 428	7 930
Total non-current liabilities		105 907	69 429
Current liabilities			
Loans and borrowings	24	16 306	15 869
Trade and other payables	26	23 692	21 216
Contract liabilities	26	14 157	28 351
Income tax payable		158	183
Provisions	25	518	398
Total current liabilities		54 831	66 017
Total equity and liabilities		222 098	186 519

These Consolidated Financial Statements were approved by the Board of Directors on 11 April 2022 and were signed on its behalf by:


 Charalampos Avgousti
 Director


 Sergey Egorov
 Director

mln RUB	Attributable to equity holders of the Company					
	Share capital	Share premium	Reserve for own shares	Retained earnings	Total	Total equity
Balance as at 1 January 2020	2	15 486	(1)	37 089	52 576	52 576
Total comprehensive income for the year						
Profit for the year	-	-	-	2 036	2 036	2 036
Total comprehensive income for the year	-	-	-	2 036	2 036	2 036
Transactions with owners, recorded directly in equity						
Dividends to equity holders	-	-	-	(3 539)	(3 539)	(3 539)
Total transactions with owners	-	-	-	(3 539)	(3 539)	(3 539)
Balance as at 31 December 2020	2	15 486	(1)	35 586	51 073	51 073

mln RUB	Attributable to equity holders of the Company					
	Share capital	Share premium	Reserve for own shares	Retained earnings	Total	Total equity
Balance as at 1 January 2021	2	15 486	(1)	35 586	51 073	51 073
Total comprehensive income for the year						
Profit for the year	-	-	-	3 007	3 007	3 007
Total comprehensive income for the year	-	-	-	3 007	3 007	3 007
Transactions with owners, recorded directly in equity						
Shares issued	-	11 120	-	-	11 120	11 120
Transaction costs directly attributable to the issue	-	(239)	-	-	(239)	(239)
Dividends to equity holders	-	-	-	(3 601)	(3 601)	(3 601)
Total transactions with owners	-	10 881	-	(3 601)	7 280	7 280
Balance as at 31 December 2021	2	26 367	(1)	34 992	61 360	61 360

mln RUB	Notes	2021	2020
OPERATING ACTIVITIES:			
Profit for the year		3 007	2 036
<i>Adjustments for:</i>			-
Depreciation, including right-of-use assets	13, 14	521	481
Gain on disposal of property, plant and equipment	9	(162)	(51)
Gain on disposal of investment property	9	(279)	(103)
Loss on disposal of inventories under construction and development	9	205	200
Impairment loss on inventories	18	2 054	676
Impairment loss on trade and other receivables, advances paid to suppliers and investments	27 (b)(ii)	327	418
Share of loss of equity accounted investees		16	-
Loss on disposal of subsidiary	9	7	-
Significant financing component from contracts with customers recognised in revenue		(3 003)	(1 210)
Savings on escrow-backed loans recognised in revenue		(1 197)	(448)
Finance costs, net	12	7 381	5 496
Income tax expense	13	2 842	2 686
Cash from operating activities before changes in working capital and provisions		11 719	10 181
Change in inventories		3 211	(15 619)
Change in accounts receivable		(2 386)	2 642
Change in accounts payable		5 937	24 390
Change in provisions	25	108	(278)
Change in contract assets	19	(18 194)	(4 675)
Change in contract liabilities	26	(14 194)	(8 088)
Cash (used in)/generated from operating activities		(13 799)	8 553
Income tax paid		(3 543)	(4 647)
Interest paid		(4 461)	(4 803)
Net cash used in operating activities		(21 803)	(897)

mln RUB	Notes	2021	2020
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		266	265
Proceeds from disposal of investment property		474	440
Interest received		1 763	1 103
Acquisition of property, plant and equipment		(560)	(396)
Loans given		(823)	(216)
Loans repaid		7	2
Proceeds from disposal of subsidiaries, net of cash disposed of		32	-
Acquisition of investment in associate		(389)	-
Acquisition of other investments	16, 20	(4)	(139)
Disposal of other investments	16, 20	149	105
Net cash from investing activities		915	1 164
FINANCING ACTIVITIES:			
Proceeds from borrowings	24	49 071	8 691
Repayments of borrowings	24	(14 635)	(10 108)
Payments for lease liabilities, excluding interest	24	(1 775)	(645)
Proceeds from issue of share capital, net		10 881	-
Dividends paid		(3 613)	(3 527)
Net cash from/(used in) financing activities		39 929	(5 589)
Net decrease in cash and cash equivalents		19 041	(5 322)
Cash and cash equivalents at the beginning of the year		25 830	31 128
Effect of exchange rate fluctuations		(284)	24
Cash and cash equivalents at the end of the year	21	44 587	25 830

1 Background

a) Organisation and operations

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

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

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

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

The Company’s registered office is located at:

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

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

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

b) Business environment

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

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

During the year 2021, most of the restrictions imposed by the government authorities in the Russian Federation due to the COVID-19 pandemic have been lifted, including on the operation of the Group’s sales offices, and the Group observes that the demand for real estate has recovered.

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from 2014, sanctions have been imposed in several packages by the US, UK, EU and others on certain Russian officials, businessmen and companies. On 21 February 2022, the President of Russia signed the executive orders on the recognition of the Donetsk People's Republic and the Lugansk People's Republic. Since the outbreak of the conflict on 24 February 2022, the US, UK, EU and other countries announced an extension of sanctions on certain Russian officials, businessmen and companies. These developments may result in reduced access of Russian businesses to international capital and export markets, weakening of the Russian Ruble, decline in capitals markets and other negative economic consequences.

The impact of these and further developments on future operations and financial position of the Group at this stage is difficult to determine.

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

2 Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

b) Basis of measurement and going concern principle

The consolidated financial statements are prepared on the historical cost basis. Management prepared these consolidated financial statements on a going concern basis. In assessing its going concern status, the Group has taken account of its principal risks and uncertainties including inflation risks for construction materials and labour costs, sharp reduction of the Company's market capitalisation and suspension of trading in the Company's GDRs on the London Stock Exchange, available undrawn credit facilities as at the date of analysis, and its forecast compliance with covenants on project financing and corporate borrowings, anticipated future continuity in demand, and major instalments in relation to acquisition of land plots.

When assessing the Group's ability to continue as a going concern over the next 12 months, the management considered all available information about the future, including events described below, noting that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Subsequent to the reporting date and following the commencement of the Ukrainian crisis, the US, UK, EU and some other countries imposed severe sanctions against the Russian government, major financial institutions and certain other entities and individuals in the Russian Federation. In response to the sanctions, the Russian government introduced certain currency control measures and the Central Bank of the Russian Federation increased the key rate to 20% in March 2022 which was

reduced to 17% starting from 11 April 2022. All the above led to significant market volatility, disruption in the supply chains and significantly increased the level of economic uncertainty.

The Group developed a stress scenario of the possible impact on the current operating environment on the Group's demand and supply chain, including continuity in demand, availability and prices for construction materials and supplies, and eventually on cash flows and liquidity position, including the consideration of debt covenants.

The Group considered the following factors when assessing the impact on the current operating environment.

Continuity in demand

The demand for real estate is largely dependent on the availability of mortgage loans and the level of mortgage rates. Effective from 1 April 2022, the Government of the Russian Federation introduced special mortgage rates of 12% for newly constructed real estate and increased the price limit up to RUB 12 million per apartment in Moscow and St. Petersburg (RUB 6 million in other Russian cities). At the same time, special mortgage programs including a family mortgage program of 6% continued to be in place. These measures are expected to support the demand for real estate despite introduction of a restrictive levels of the key rate.

Availability and cost of finance

As reported in the note 27(d)(ii), loans with a carrying amount of RUB 28 537 million or 34% of the total outstanding loans as at 31 December 2021 are linked to the key rate of the Central Bank of the Russian Federation (are variable rate instruments). The Group's loan contracts either include limitation on the maximum interest rate or bear preferential interest rates to debt covered by escrow account balances. These factors will limit the effect of the increase in the Central Bank's key rate on the cost of borrowings. The increase in the key rate to 20% (reduced to 17% starting from 11 April 2022) will result in the increase in interest expense by RUB 691 million for the variable rate loans outstanding at 31 December 2021.

The Group does not have any borrowings denominated in foreign currencies.

The Group has secured project financing for all construction project in place that will enable it to continue financing its construction projects. For the new projects the Group aims to balance the ratio of borrowed funds to cash collected on escrow accounts to reduce borrowing costs.

The Group has sufficient liquidity to repay borrowings and does not expect any breaches of financial covenants during 2022.

Despite the fact that the Group's parent company is registered in Cyprus, the Group's place of operation is the Russian Federation, and the Group is not subject to any restrictions on use of proceeds from sale of real estate which have been introduced by the Russian Government with respect to foreign construction companies operating in Russia.

Availability and cost of construction materials

The Group mainly uses domestically produced construction materials and installations and does not expect any shortages or breakages in its supply chain caused by foreign sanctions. The prices for construction materials are not linked to foreign currencies and the Group does not expect that the high volatility of foreign currency exchange rates will result in a significant increase in its production costs during 2022. Although, constructions costs will continue to increase in line with higher inflation rates, but the Group expects that it will be able to pass increased constructions costs on to the customers.

Considering the above and given the Group's history of profitable operations and ready access to financial resources, the Group reached a conclusion that the going concern basis of accounting is appropriate for the preparation of these consolidated financial statements.

c) Functional and presentation currency

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

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

d) Use of estimates and judgments

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

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

Critical accounting judgments

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

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

Key sources of estimation uncertainty

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

- Note 6 – revenue: measurement of the progress towards complete satisfaction of the performance obligation, including estimation of the total costs to satisfy the performance obligation;
- Note 18 – inventories – impairment provisions: the discount rate and the years of turnover of parking places; recognition of obligations for the construction of social infrastructure: construction budgets and timing of construction, impairment;
- Note 27(b)(ii) – measurement of Expected Credit Loss (ECL) allowance for trade and other receivables and contract assets: probability of default and loss given default.

e) Changes in accounting policies

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

i) New Standards and Interpretations

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

New and amended standards and interpretations

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

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

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

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

3 Significant accounting policies

a) Basis of consolidation

(i) *Business combinations*

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

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

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

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

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

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls another entity when it holds more than half of the voting rights of the other entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group's significant subsidiaries are disclosed in note 32.

(iii) *Transactions eliminated on consolidation*

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

b) Foreign currency

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

c) Financial instruments**(i) Recognition and initial measurement**

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

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

(ii) Classification and subsequent measurement**Financial assets**

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

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

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

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

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

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

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

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

Financial assets – Business model assessment

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

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

sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

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

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains

and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

(iii) Modification of financial assets and financial liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Changes in cash flows on existing financial liabilities are not considered as modification if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification

of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

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

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

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

(iv) Derecognition

Financial assets

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

Financial liabilities

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

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

(v) Offsetting

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

(vi) Impairment

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;

- debt investments measured at FVOCI; and
- contract assets.

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

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

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

- Trade receivables and contract assets arising from sales of real estate;
- Trade receivables and contract assets arising from provision of construction services and other operations.

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

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

d) Advances paid and contract liabilities

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

e) Cash and cash equivalents

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

f) Property, plant and equipment**(i) Recognition and measurement**

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

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

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

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

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is

derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

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

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

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

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

g) Investment property

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

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

h) Inventories

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

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

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

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

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

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

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

i) Revenue

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

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

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

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

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

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

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

The progress is considered to be the same for all apartments within a building, irrespective of their floors, and revenue is recognised with respect to apartments that are contracted under share participation agreements. Costs used to measure progress towards complete satisfaction of performance obligation include costs of design and construction of a multicompartment building and

exclude the cost of acquisition of land plots. The cost of acquisition of land plot is recognised in cost of sales consistently with the transfer to the customers of the apartments to which the land plot relates.

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

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

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

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

Costs to obtain contracts

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

(ii) Revenue from construction services

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

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

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

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

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

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

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

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

(iii) Revenue from sale of construction materials

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

j) Leases

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

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

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

The Group presents lease liabilities in “Trade and other payables” (note 26) in the statement of financial position.

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

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

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

Lease modifications

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

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

k) Income tax

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

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

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

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

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

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

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

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

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

4 Determination of fair values

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

a) Non-derivative financial assets

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

b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

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

- *Residential development*. Includes construction of residential real estate including flats, built-in premises and parking places.
- *Construction services*. Includes construction services for third parties and for internal purpose.
- *Other operations*. Include selling of construction materials, construction and sale of stand-alone commercial premises and various services related to sale and servicing of premises. None of these meets any of the quantitative thresholds for determining reportable segments during the year ended 31 December 2021 and 2020.

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

Starting from the financial statements for the year ended 31 December 2020, the performance of the reportable segment "Residential development" is additionally assessed on the basis of gross profit adjusted for purchase price allocation from the acquisition of Leader-Invest.

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

The transition from the scheme of customer financing to bank project financing backed by escrow accounts led to the emergence of significant assets and liabilities that are attributable only to the reportable segment *Residential development* and are not attributable to other segments. Under the circumstances, the Board of Directors focuses on the measures of profit or loss of each reportable segment. The information about reportable segments' assets and liabilities is not disclosed.

a) Information about reportable segments

mln RUB	Residential development		Construction services		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
External revenues	75 269	70 476	2 401	3 137	9 468	5 042	87 138	78 655
<i>Including:</i>								
St. Petersburg metropolitan area	31 946	30 649						
Moscow metropolitan area	43 323	39 827						
Inter-segment revenue	-	-	18 573	16 459	595	2 149	19 168	18 608
Total segment revenue	75 269	70 476	20 974	19 596	10 063	7 191	106 306	97 263
Gross profit adjusted for purchase price allocation from acquisition of Leader-Invest	28 948	24 987	(60)	251	2 153	558	31 041	25 796
Gross profit adjusted for purchase price allocation from acquisition of Leader-Invest, %	38%	35%						
Gross profit	25 689	21 127	(60)	251	2 153	537	27 782	21 915
<i>Including:</i>								
St. Petersburg metropolitan area	12 883	8 556						
Moscow metropolitan area	12 806	12 571						
Gross profit, %	34%	30%						
<i>Including:</i>								
St. Petersburg metropolitan area	40%	28%						
Moscow metropolitan area	30%	32%						

b) Geographical information

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

mln RUB	Revenues		Non-current assets	
	2021	2020	2021	2020
St. Petersburg metropolitan area	40 076	37 679	3 094	2 982
Moscow metropolitan area	47 062	40 976	1 372	1 217
	87 138	78 655	4 466	4 199

c) Reconciliations of reportable segment revenues and gross profit

mln RUB	2021	2020
Reconciliation of revenue		
Total revenue for reportable segments	106 306	97 263
Elimination of inter-segment revenue	(19 168)	(18 608)
Consolidated revenue	87 138	78 655

Reconciliation of gross profit adjusted for purchase price allocation from acquisition of Leader-Invest to profit before tax

Total gross profit for reportable segments adjusted for purchase price allocation from acquisition of Leader-Invest	31 041	25 796
Purchase price allocation from acquisition of Leader-Invest included in cost of sales	(3 259)	(3 881)
Consolidated gross profit	27 782	21 915

Unallocated amounts

General and administrative expenses	(5 784)	(5 235)
Selling expenses	(4 639)	(4 560)
Impairment loss on trade and other receivables	(169)	(329)
Other expenses, net	(3 944)	(1 573)
Finance income and interest revenue	2 528	2 028
Finance costs	(9 909)	(7 524)
Share of loss of equity accounted investees	(16)	-
Consolidated profit before income tax	5 849	4 722

6 Revenue

mln RUB	2021	2020
Sale of flats - transferred at a point in time	13 351	13 781
Sale of flats - transferred over time	53 776	48 077
Sale of built-in commercial premises - transferred at a point in time	1 487	1 973
Sale of built-in commercial premises - transferred over time	2 430	2 815
Sale of parking places - transferred at a point in time	2 006	2 199
Sale of parking places - transferred over time	2 219	1 631
<i>Total revenue - segment Residential development (note 5 (a))</i>	<i>75 269</i>	<i>70 476</i>
Long term construction contracts - transferred over time	1 459	2 368
Short term construction services - transferred at a point in time	942	769
<i>Total revenue of segment Construction services (note 5 (a))</i>	<i>2 401</i>	<i>3 137</i>
Sale of construction materials - transferred at a point in time	3 412	2 429
Sale of stand-alone commercial premises - transferred over time	708	122
Sale of stand-alone commercial premises - transferred at a point in time	359	-
Other revenue - transferred over time	2 203	1 807
Other revenue - transferred at a point in time (note 9)	2 184	-
<i>Total other revenue (note 5 (a))</i>	<i>8 866</i>	<i>4 358</i>
Total revenues from contracts with customers	86 536	77 971
Rental revenue (note 5 (a))	602	684
Total revenues	87 138	78 655

Contract balances

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

mln RUB	2021	2020
Trade receivables	9 429	10 413
Contract assets	25 332	7 138
Contract liabilities	(14 157)	(28 351)

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

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

Contract liabilities include advance consideration received from customers.

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

mln RUB	2021		2020	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Balance at 1 January	7 138	(28 351)	2 463	(36 439)
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	-	24 150	-	33 524
Other revenue - transferred at a point in time		2 184	-	-
Increases due to cash received, excluding amounts recognized as revenue during the year	-	(11 768)	-	(24 037)
Transfers from contract assets recognised at the beginning of the year to receivables	(1 568)	-	(1 552)	-
Increase as a result of changes in the measure of progress	19 474	-	6 077	-
Financing component under IFRS 15	288	(372)	150	(1 399)
Balance at 31 December	25 332	(14 157)	7 138	(28 351)
Change during the year	18 194	14 194	4 675	8 088

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

31 December 2021 mln RUB	2022	2023	2024	2025	Total
Residential development	35 475	10 355	1 720	78	47 628
Construction services	58	-	-	-	58
Construction of stand-alone commercial premises	3 665	74	51	-	3 790
Total	39 198	10 429	1 771	78	51 476

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

As at 31 December 2021, capitalised costs to obtain contracts with the customers of RUB 259 million will be recognised within selling expenses after more than 12 months from the reporting date (31 December 2020: RUB 323 million).

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

7 Cost of sales

mln RUB	2021	2020
Cost of design and construction works and engineering infrastructure	33 204	34 466
Cost of land plots	11 425	10 732
Cost of construction of social infrastructure	2 511	1 345
Other costs	2 440	2 806
<i>Total cost of sales - segment Residential development</i>	<i>49 580</i>	<i>49 349</i>
Cost of sales for segment Construction services	2 461	2 886
Cost of sales for segment Other	7 315	4 505
Total cost of sales	59 356	56 740

Cost of design and construction works and engineering infrastructure, among other, includes costs of raw materials and consumables used in construction, production employees' benefits expenses, and depreciation expense of construction machinery and equipment.

8 General and administrative expenses

mln RUB	2021	2020
Payroll and related taxes	3 574	3 224
Services	716	655
Audit and consulting services	292	244
Depreciation	242	237
Other taxes	117	227
Bank fees and commissions	130	111
Repair and maintenance	81	75
Materials	61	50
Other	571	412
Total	5 784	5 235

Remuneration of the statutory audit firm for the year ended 31 December 2021 amounted to RUB 7.5 million for audit services (2020: RUB 7.7 million) and RUB 7.2 million for other assurance services (2020: RUB 0.9 million). Remuneration of other members of the statutory auditors' network for the year ended 31 December 2021 amounted to RUB 5.0 million for audit services (2020: RUB 4.7 million) and RUB 17.6 million for other assurance services (2020: RUB 0.8 million).

9 Other expenses, net

mln RUB	2021	2020
<i>Other income</i>		
Gain on disposal of investment property	279	103
Gain on disposal of property, plant and equipment	162	51
Fees and penalties received	142	220
Reversal of impairment of an investment in an associate	-	38
Other income	128	151
	711	563
<i>Other expenses</i>		
Impairment loss on inventories (note 18)	(2 054)	(676)
Fees and penalties incurred	(323)	(67)
Other taxes	(382)	(265)
Cost of social infrastructure for completed projects	(555)	(178)
Charity	(60)	(38)
Loss on disposal of subsidiary	(7)	-
Loss on disposal of inventories under construction and development	(205)	(200)
Other expenses	(1 069)	(569)
Contingent consideration for acquisition of Leader-Invest	-	(143)
	(4 655)	(2 136)
Other expenses, net	(3 944)	(1 573)

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

During the year ended 31 December 2021, the Group and the sellers of the plot decided to amend the terms of the contract so that the purchase price for the land plot would be settled in cash. The change in the amount of consideration in the amended contract led to the recognition of RUB 2 184 million of other revenue recognised at a point in time - as the difference between the carrying amount of the liability to the sellers of the land plot and the amount of cash consideration payable.

The Group also recognised an impairment loss of RUB 1 544 million on inventories constructed on that land plot, including built-in commercial premises and parking places.

10 Personnel costs

mln RUB	2021	2020
Wages and salaries	7 371	7 121
Social security contributions	1 765	1 567
	9 136	8 688

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

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

During the year ended 31 December 2021, personnel costs and related taxes included in cost of production amounted to RUB 4 631 million (year ended 31 December 2020: RUB 4 480 million). The remaining part of personnel expenses was subsumed within general and administrative expenses and selling expenses in the total amount of RUB 4 505 million (year ended 31 December 2020: RUB 4 208 million).

The average number of staff employed by the Group during the year ended 31 December 2021 was 4 479 employees (year ended 31 December 2020: 4 671 employees).

11 Share-based payment arrangements

Share option programme (equity-settled)

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

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

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

12 Finance income and finance costs

mln RUB	2021	2020
Recognised in profit or loss		
Finance income		
Interest income under the effective interest method on:		
- Cash and cash equivalents (except bank deposits)	524	518
- Unwinding of discount on trade receivables	309	634
- Bank deposits - at amortised cost	1 271	585
- Interest income - financing component under IFRS 15	288	150
Total interest income arising from financial assets measured at amortised cost	2 392	1 887
Gain on write-off of accounts payable	136	105
Net foreign exchange gain	-	36
Finance income - other	136	141
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expenses - financing component under IFRS 15	(372)	(1 399)
- Interest expenses - borrowing costs	(6 078)	(4 924)
- Interest expense on leases	(498)	(167)
- Unwinding of discount on other payables	(2 424)	(915)
Impairment loss on advances paid to suppliers and financial investments	(158)	(21)
Other finance costs	(82)	(98)
Net foreign exchange loss	(297)	-
Finance costs	(9 909)	(7 524)
Net finance costs recognised in profit or loss	(7 381)	(5 496)

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

mln RUB	2021	2020
Borrowing costs and significant financing component capitalised during the year	239	274
Weighted average capitalisation rate	12,69%	14,86%

During the year ended 31 December 2021, borrowing costs and significant financing component that have been capitalised into the cost of real estate properties under construction and development (revenue for which was not recognised over time) of RUB 72 million (year ended 31 December 2020: RUB 212 million), were included into the cost of sales upon construction and sale of those properties – including borrowing costs of RUB 56 million (year ended 31 December 2020: RUB 116 million) and significant financing component of RUB 16 million (year ended 31 December 2020: RUB 96 million).

13 Income tax expense

The Company's applicable tax rate under the Cyprus Income Tax Law is 12,5%. The Cypriot subsidiaries' applicable tax rate is 12,5%. For the Russian companies of the Group the applicable income tax rate is 20% (year ended 31 December 2020: 20%).

mln RUB	2021	2020
Current tax expense		
Current year	4 013	3 991
Over-provided in prior year	(14)	(4)
	<u>3 999</u>	<u>3 987</u>
Deferred tax expense		
Origination and reversal of temporary differences	(1 157)	(1 301)
Income tax expense	<u>2 842</u>	<u>2 686</u>

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

mln RUB	2021	2020
Profit before income tax	5 849	4 722
Theoretical income tax at statutory rate of 20%	1 170	944
<i>Adjustments due to:</i>		
Over-provided in prior year	(14)	(4)
Tax losses for which no deferred tax asset was recognised	74	84
Write-off of previously recognised deferred tax assets	-	273
Tax effect of dividends from Russian subsidiaries	-	233
Expenses not deductible and income not taxable for tax purposes, net	1 612	1 156
Income tax expense	<u>2 842</u>	<u>2 686</u>

The Group prepares reconciliation using the tax rate of 20% that is applicable in the Russian Federation and not the domestic tax rate of the Cyprus parent Company (12,5%) since substantially all taxable profit is generated in the Russian Federation.

During the year ended 31 December 2021, expenses not deductible for tax purposes included, among other, interest accrued in respect of discounted trade payables for acquisition of 88% of share capital of LLC "Specialized Developer "ZIL-YUG" of RUB 1 989 million (year ended 31 December 2020: nil) and interest accrued on secured bank loans used to finance the acquisition of JSC "Leader-Invest" in 2019 of RUB 2 746 million and (year ended 31 December 2020: RUB 2 662 million).

14 Property, plant and equipment

During the year ended 31 December 2021, depreciation expense of RUB 249 million (year ended 31 December 2020: RUB 239 million) was charged to cost of sales, RUB 14 million (year ended 31 December 2020: RUB 13 million) to cost of real estate properties under construction and development, RUB 11 million to other expenses, net (year ended 31 December 2020: RUB 28 million) and RUB 242 million (year ended 31 December 2020: RUB 179 million) to general and administrative expenses.

mln RUB	Buildings and constructions	Machinery and equipment	Vehicles	Other	Land	Construction in progress	Total
Cost							
Balance at 1 January 2020	2 928	2 482	118	329	120	269	6 246
Additions	144	90	5	83	-	143	465
Disposals	(215)	(113)	(12)	(33)	(3)	-	(376)
Transfers	70	-	-	69	-	(139)	-
Balance at 31 December 2020	2 927	2 459	111	448	117	273	6 335
Balance at 1 January 2021	2 927	2 459	111	448	117	273	6 335
Additions	812	169	11	112	-	240	1 344
Reclassification to inventories	(147)	-	-	-	-	-	(147)
Disposals	(311)	(371)	(14)	(200)	(4)	-	(900)
Transfers	40	6	-	4	-	(50)	-
Balance at 31 December 2021	3 321	2 263	108	364	113	463	6 632
Depreciation and impairment losses							
Balance at 1 January 2020	(560)	(1 853)	(73)	(199)	-	-	(2 685)
Depreciation for the year	(232)	(140)	(16)	(69)	-	-	(457)
Disposals	182	101	10	22	-	-	315
Balance at 31 December 2020	(610)	(1 892)	(79)	(246)	-	-	(2 827)
Balance at 1 January 2021	(610)	(1 892)	(79)	(246)	-	-	(2 827)
Depreciation for the year	(256)	(161)	(16)	(83)	-	-	(516)
Disposals	284	329	13	135	-	-	761
Balance at 31 December 2021	(582)	(1 724)	(82)	(194)	-	-	(2 582)
Carrying amounts							
Balance at 1 January 2020	2 368	629	45	130	120	269	3 561
Balance at 31 December 2020	2 317	567	32	202	117	273	3 508
Balance at 1 January 2021	2 317	567	32	202	117	273	3 508
Balance at 31 December 2021	2 739	539	26	170	113	463	4 050

15 Investment property

mln RUB	2021	2020
<i>Cost</i>		
Balance at 1 January	1 017	1 375
Additions	6	-
Reclassification to inventories	(67)	-
Disposals	(268)	(358)
Balance at 31 December	688	1 017
<i>Accumulated depreciation and impairment losses</i>		
Balance at 1 January	(326)	(310)
Depreciation for the year	(19)	(37)
Disposals	73	21
Balance at 31 December	(272)	(326)
<i>Carrying amount at 1 January</i>	691	1 065
<i>Carrying amount at 31 December</i>	416	691

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

As at 31 December 2021, the fair value of investment property amounted to RUB 659 million (31 December 2020: RUB 1 027 million), which was determined based on discounted cash flows from the use of the property. Fair value estimate represents level 3 of the fair value hierarchy, as defined in note 27. The Group did not identify any indicators of impairment as at 31 December 2021 and 2020, and did not recognise any impairment losses for investment property during the year ended 31 December 2021 and 2020.

16 Other long-term investments

mln RUB	2021	2020
Loans - at amortised cost	1 106	321
Investments in associates	500	124
Bank promissory notes - at amortised cost	3	3
	1 609	448
Loss allowance for loans given	(120)	(24)
	1 489	424

As at 31 December 2021, a bank promissory note of RUB 3 million (31 December 2020: RUB 3 million) was pledged as security for a secured bank loan, see note 24.

As at 31 December 2021, investment in associate of RUB 380 million represents a 40,7% stake in QB Technology Ltd acquired in 2021 and accounted for using the equity method.

As at 31 December 2021, loan at amortised cost of RUB 850 million represents a loan issued to an entity owning a land plot in the St. Petersburg metropolitan area. The entity has been acquired by the Group subsequent to the reporting date, see note 33.

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 27.

17 Deferred tax assets and liabilities

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

mln RUB	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment	223	178	(388)	(255)	(165)	(77)
Investments	68	169	(20)	(28)	48	141
Inventories	12 056	9 269	(2 307)	(3 522)	9 749	5 747
Contract assets and trade and other receivables	1 635	1 750	(7 722)	(4 034)	(6 087)	(2 284)
Deferred expenses	18	19	(7)	-	11	19
Loans and borrowings	492	52	(135)	(130)	357	(78)
Provisions	137	141	(168)	(95)	(31)	46
Contract liabilities and trade and other payables	6 019	5 285	(11 393)	(11 146)	(5 374)	(5 861)
Tax loss carry-forwards	1 626	1 295	-	-	1 626	1 295
Other	125	155	(340)	(341)	(215)	(186)
Tax assets/(liabilities)	22 399	18 313	(22 480)	(19 551)	(81)	(1 238)
Set off of tax	(15 052)	(11 621)	15 052	11 621	-	-
Net tax assets/(liabilities)	7 347	6 692	(7 428)	(7 930)	(81)	(1 238)

b) Unrecognised deferred tax liability

At 31 December 2021, a deferred tax liability arising on temporary differences of RUB 81 287 million (31 December 2020: RUB 70 777 million) related to investments in subsidiaries was not recognized because the Company controls the timing of reversal of the temporary differences and is satisfied that those differences will not be reversed in the foreseeable future.

c) Unused tax losses

A deferred tax asset of RUB 923 million (31 December 2020: RUB 357 million) was not recognised for the carry forward of unused tax losses to the extent that it is not probable that future taxable profit will be available against which these unused tax losses can be utilised.

d) Movement in temporary differences during the year

mln RUB	1 January 2021	Recognised in profit or loss	31 December 2021
Property, plant and equipment	(77)	(88)	(165)
Investments	141	(93)	48
Inventories	5 747	4 002	9 749
Contract assets and trade and other receivables	(2 284)	(3 803)	(6 087)
Deferred expenses	19	(8)	11
Loans and borrowings	(78)	435	357
Provisions	46	(77)	(31)
Contract liabilities and trade and other payables	(5 861)	487	(5 374)
Tax loss carry-forwards	1 295	331	1 626
Other	(186)	(29)	(215)
	(1 238)	1 157	(81)

mln RUB	1 January 2020	Recognised in profit or loss	31 December 2020
Property, plant and equipment	(763)	685	(77)
Investments	(47)	188	141
Inventories	1 362	4 385	5 747
Contract assets and trade and other receivables	(2 907)	623	(2 284)
Deferred expenses	(246)	265	19
Loans and borrowings	24	(102)	(78)
Provisions	577	(531)	46
Contract liabilities and trade and other payables	(1 223)	(4 638)	(5 861)
Tax loss carry-forwards	844	451	1 295
Other	(163)	(25)	(186)
	(2 542)	1 301	(1 238)

18 Inventories

mln RUB	2021	2020
<i>Inventories under construction and development</i>		
Own flats under construction and development	80 000	81 898
Built-in commercial premises under construction and development	11 023	14 453
Parking places under construction and development	8 243	8 526
	99 266	104 877
Less: Allowance for inventories under construction and development	(3 835)	(2 698)
<i>Total inventories under construction and development</i>	95 431	102 179
<i>Inventories - finished goods</i>		
Own flats	4 423	4 684
Built-in commercial premises	5 641	2 426
Parking places	6 480	5 993
	16 544	13 103
Less: Allowance for inventories - finished goods	(3 521)	(1 812)
<i>Total inventories - finished goods</i>	13 023	11 291
<i>Other inventories</i>		
Construction materials	1 423	1 297
Other	278	700
	1 701	1 997
Less: Allowance for other inventories	(2)	(22)
<i>Total other inventories</i>	1 699	1 975
Total	110 153	115 445

Inventories under construction and development of RUB 92 204 million relate to construction projects that will be completed after more than 12 months from the reporting date (31 December 2020: RUB 77 928 million).

In the course of implementation of several development projects the Group has to construct and transfer certain social infrastructure to city authorities. As at 31 December 2021, the cost of such social infrastructure amounts to RUB 1 086 million and is included into the balance of finished goods and inventories under construction and development (31 December 2020: RUB 1 633 million). These costs are recoverable as part of projects they relate to. The cost of social infrastructure is recognised in cost of sales consistently with the transfer to the customers of the apartments to which this social infrastructure relates.

a) Barter transactions

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

Such liabilities will be settled against revenue recognised from transfer of specified premises to these landlords.

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

Project 1, years ended 31 December 2013-2016

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

The following key assumptions were used by the appraiser:

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

Project 2, year ended 31 December 2015

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

The following key assumptions were used by the appraiser:

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

Project 3, year ended 31 December 2017

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

The following key assumptions were used by the appraiser:

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

Project 4, year ended 31 December 2017

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

The following key assumptions were used by the appraiser:

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

Project 5, year ended 31 December 2019

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

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

The following key assumptions were used by the appraiser:

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

Accordingly, at 31 December 2021, the cost of land plots (Project 1) measured as described above and related to sold premises, was recognised in cost of sales during 2013-2021 in the amount of RUB 8 660 million, while the remaining balance of RUB 274 million is included into finished goods and RUB 90 million into inventories under construction and development.

At 31 December 2021, the cost of land plots (Project 2) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2021 in the amount of RUB 4 014 million, while the remaining balance of RUB 435 million is included in finished goods and RUB 73 million in inventories under construction and development.

At 31 December 2021, the cost of land plots (Project 3) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2021 in the amount of RUB 4 258 million, while the remaining balance of RUB 65 million is included in finished goods and RUB 72 million in inventories under construction and development.

At 31 December 2021, the cost of land plots (Project 4) measured as described above and related to premises sold under share participation agreements concluded since 1 January 2017, was recognised in cost of sales during the year ended 31 December 2021 in the amount of RUB 1 792 million, while the remaining balance of RUB 8 million is included in finished goods.

At 31 December 2021, the cost of land plots (Project 5) measured as described above and related to premises sold under share participation agreements, was recognised in cost of sales during the year ended 31 December 2021 in the amount of RUB 864 million, while the remaining balance of RUB 329 million is included in inventories under construction and development.

b) Allowance for impairment of inventories

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

mln RUB	2021	2020
Balance at 1 January	4 532	3 856
Write down to net realisable value of inventories	4 896	1 983
Reversal of write down of inventories	(2 071)	(1 307)
Balance at 31 December	7 357	4 532

As at 31 December 2021, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 7 357 million (31 December 2020: RUB 4 532 million) and the respective allowance was recognised in other expenses, see note 9, and in cost of sales for segment Other, note 7. As at 31 December 2021, the allowance of RUB 4 686 million related to parking places (31 December 2020: RUB 4 283 million).

As at 31 December 2021, the balance of parking places is equal to RUB 14 723 million (31 December 2020: RUB 14 519 million). An impairment allowance was made based on the following key assumptions:

- Cash flows were projected during the expected period of sales equal to years of turnover of parking places determined based on historical information on contracts concluded with customers;
- Discount rate – 8,57% per annum;
- Inflation rates – 2,88 – 4,45% per annum;
- In case there was no historical information on sales of certain parking places, the Group considered historical information in relation to similar parking places.

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

The assumptions used in determining net realizable value for parking places were effective as of 31 December 2021 and did not reflect any of the non-adjusting events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*.

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

31 December 2021			
Change of parameter	Impact on allowance for impairment	In monetary terms (mln RUB)	
Growth of discount rate	2%	10%	409
Growth of inflation rates	2%	-6%	(245)
Reduction of turnover of finished goods, years	1	6%	246
Reduction of revenue from uncontracted parking places	2%	2%	94
31 December 2020			
Change of parameter	Impact on allowance for impairment	In monetary terms (mln RUB)	
Growth of discount rate	2%	5%	207
Growth of inflation rates	2%	-7%	(278)
Reduction of turnover of finished goods, years	1	3%	104
Reduction of revenue from uncontracted parking places	2%	2%	83

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

The Group has temporarily rented out a part of certain items of property classified as inventories – finished goods in these consolidated financial statements. As at 31 December 2021, the total carrying value of these items of property was RUB 378 million (31 December 2020: RUB 361 million). The Group is actively seeking buyers for these properties.

d) Pledges

As at 31 December 2021, inventories with a carrying amount of RUB 55 147 million (31 December 2020: RUB 16 505 million) are pledged as security for borrowings, see note 24.

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

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

mln RUB	2021	2020
Cost of acquisition of rights for land plots during the period	9 961	2 036
<i>Including fees for changing of the type of permitted use of land plots</i>	2 022	539
Capitalised lease payments for land plots	790	896
Total	10 751	2 932

19 Contract assets, trade and other receivables

mln RUB	2021	2020
<i>Long-term trade and other receivables</i>		
Trade receivables	3 131	4 082
Less: loss allowance for expected credit losses on trade accounts receivable	(10)	(27)
Long-term trade receivables less allowance	3 121	4 055
Other receivables	255	231
Less: loss allowance for expected credit losses on other accounts receivable	(31)	(34)
Long-term other receivables less allowance	224	197
Advances paid to suppliers	-	1
Total long-term trade and other receivables	3 345	4 253
<i>Short-term trade and other receivables</i>		
Contract assets	25 332	7 138
Trade receivables	6 837	6 993
Less: loss allowance for expected credit losses on trade accounts receivable	(529)	(635)
Short-term trade receivables less allowance	31 640	13 496
Advances paid to suppliers	11 015	8 384
Less: loss allowance for expected credit losses on advances paid to suppliers	(158)	(247)
Short-term advances paid to suppliers less allowance	10 857	8 137
VAT recoverable	4 915	3 656
Financial asset arising from preferential rate on escrow-backed loans	496	1 053
Other taxes receivable	35	70
Other receivables due from related parties	91	187
Other receivables	1 509	1 521
	7 046	6 487
Less: loss allowance for expected credit losses on other accounts receivable	(803)	(930)
Short-term other receivables less allowance	6 243	5 557
Total short-term trade and other receivables	48 740	27 190
Total	52 085	31 443

As at 31 December 2021, contract assets of RUB 10 560 million relate to construction projects that will be completed after more than 12 months from the reporting date (31 December 2020: RUB 4 396 million).

As at 31 December 2021, non-financial assets recognised within advances paid to suppliers, VAT and other taxes receivable amounted to RUB 15 812 million (31 December 2020: RUB 11 863 million).

The explanation of significant changes in contract asset balance during the reporting period is presented in note 6.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 27.

20 Short-term investments

mln RUB	2021	2020
Loans - at amortised cost	172	109
Bank deposits (over 3 months)	42	100
Bank promissory notes - at amortised cost	-	91
	214	300
Loss allowance for loans given	(88)	(88)
Total	126	212

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 27.

21 Cash and cash equivalents

mln RUB	2021	2020
Cash in banks, in RUB	7 740	10 455
Cash in banks, in USD	85	163
Cash in banks, in EUR	5	18
Cash in banks, in GBP	2	2
Cash in banks, in CHF	1	1
Petty cash	1	2
Cash in transit	-	1
Short-term deposits (less than 3 months)	36 753	15 188
Total	44 587	25 830

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

These credit ratings were effective as of 31 December 2021 and did not reflect any subsequent changes of credit ratings as these changes represent non-adjusting events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*.

At 31 December 2021, the most significant amount of cash and cash equivalents held with one bank totalled RUB 19 018 million (31 December 2020: RUB 13 707 million). At 31 December 2021, the Group had outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents of RUB 59 733 million (31 December 2020: RUB 28 342 million). The bank has a Standard & Poor's/Moody's credit rating credit rating of BBB-.

At 31 December 2021, short-term deposits bore interest rates ranging from 6,1% to 9,43% per annum (31 December 2020: 2,27% to 4,56% per annum).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 27.

Bank balances on escrow accounts – supplementary disclosure

mln RUB	2021	2020
Bank balances in escrow accounts	59 752	23 572

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

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

mln RUB	2021	2020
Balance at 1 January	23 572	692
Receipts of funds on escrow accounts	36 180	22 880
Release of funds from escrow accounts	-	-
Balance at 31 December	59 752	23 572

22 Capital and reserves

a) Share capital

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

Number of shares unless otherwise stated

	2021		2020	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
<i>Issued shares</i>				
Par value	0,00005 GBP	1 GBP	0,00005 GBP	1 GBP
On issue at the beginning of the year	294 957 971	20 000	294 957 971	20 000
New shares issued during the year	88 487 391	-	-	-
On issue at the end of the year, fully paid	383 445 362	20 000	294 957 971	20 000

At 31 December 2020, the number of authorised and issued shares was 294 957 971. On 28 March 2021, the General Meeting of the Shareholders of the Company approved the increase of the authorised share capital of the Company by the creation of 88 487 391 ordinary shares of nominal value of GBP 0,00005 each. On 14 May 2021, the Company announced an offering of rights to subscribe for newly issued Ordinary Shares to the existing holders of the Company's equity securities. Eligible holders of GDRs subscribed for 23 339 732 new ordinary shares and 281 975 new GDRs in total. A rump offering was also completed on 14 May 2021 in which a total of 64 865 684 GDRs was purchased by investors.

All issued ordinary shares are fully paid.

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

b) Share premium

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

c) Reserve for own shares

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

During the year ended 31 December 2018, the Group transferred 8 212 432 shares to certain members of its key management personnel as part of their remuneration, see note 11. As at 31 December 2021 and 31 December 2020, the total number of own shares acquired by the Group amounted to 3 946 shares or 0,001% of issued share capital.

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

GDR buyback programme

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

d) Dividends

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

During the year ended 31 December 2021, the Company paid dividends in the amount of RUB 3 613 million (year ended 31 December 2020: RUB 3 527 million).

23 Earnings per share

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

<i>Number of shares unless otherwise stated</i>	2021	2020
Issued shares at 1 January	294 954 025	294 954 025
Effect of shares issued in May 2021	55 031 884	-
Weighted average number of shares for the year ended 31 December	349 985 909	294 954 025

	2021	2020
Profit attributable to the owners of the Company, mln RUB	3 007	2 036
Basic and diluted earnings per share (RUB)	8,59	6,90

24 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 27.

mln RUB	2021	2020
<i>Non-current liabilities</i>		
Secured bank loans	20 676	26 571
Secured project financing	28 923	4 995
Unsecured bank and other loans	2 602	1 375
Unsecured bond issues	14 931	1 695
	67 132	34 636
<i>Current liabilities</i>		
Current portion of secured bank loans	5 345	2 329
Current portion of secured project financing	7 305	-
Current portion of unsecured bank and other loans	1 777	4 988
Current portion of unsecured bond issues	1 879	8 552
	16 306	15 869

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

mln RUB	Loans and borrowings	Lease liabilities	Retained earnings	Share premium	Total
Balance at 1 January 2021	50 505	1 862	35 586	15 486	103 439
Changes from financing cash flows					
Proceeds from loans and borrowing	49 071	-	-	-	49 071
Repayment of loans and borrowing	(14 635)	-	-	-	(14 635)
Payment of lease liabilities	-	(1 775)	-	-	(1 775)
Payment of dividends	-	-	(3 613)	-	(3 613)
Proceeds from issue of share capital	-	-	-	10 881	10 881
Total changes from financing cash flows	34 436	(1 775)	(3 613)	10 881	39 929
Other changes					
Interest expense on loans and borrowings	6 078	-	-	-	6 078
Foreign exchange loss	-	-	12	-	12
Interest expense on lease liabilities	-	498	-	-	498
Additions/terminations to lease liabilities	-	9 346	-	-	9 346
Modifications of lease contracts	-	(63)	-	-	(63)
Interest paid on loans and borrowings	(3 963)	-	-	-	(3 963)
Interest paid on lease liabilities	-	(498)	-	-	(498)
Discounting of loans	(3 618)	-	-	-	(3 618)
Total liability-related other changes	(1 503)	9 283	12	-	7 792
Total equity-related other changes	-	-	3 007	-	3 007
Balance at 31 December 2021	83 438	9 370	34 992	26 367	154 167

mln RUB	Loans and borrowings	Lease liabilities	Retained earnings	Share premium	Total
Balance at 1 January 2020	52 692	2 038	37 089	15 486	107 305
Changes from financing cash flows					
Proceeds from loans and borrowing	8 691	-	-	-	8 691
Repayment of loans and borrowing	(10 108)	-	-	-	(10 108)
Payment of lease liabilities	-	(645)	-	-	(645)
Payment of dividends	-	-	(3 527)	-	(3 527)
Total changes from financing cash flows	(1 417)	(645)	(3 527)	-	(5 589)
Other changes					
Interest expense on loans and borrowings	4 739	-	-	-	4 739
Foreign exchange loss	-	-	(12)	-	(12)
Interest expense on lease liabilities	-	167	-	-	167
Additions/terminations to lease liabilities	-	547	-	-	547
Modifications of lease contracts	-	(78)	-	-	(78)
Interest paid on loans and borrowings	(4 636)	-	-	-	(4 636)
Interest paid on lease liabilities	-	(167)	-	-	(167)
Discounting of loans	(873)	-	-	-	(873)
Total liability-related other changes	(770)	469	(12)	-	(313)
Total equity-related other changes	-	-	2 036	-	2 036
Balance at 31 December 2020	50 505	1 862	35 586	15 486	103 439

During the year ended 31 December 2021, the Group received new credit line facilities to finance construction of residential buildings with variable interest rates adjusted based on the volume of escrow accounts balances (designated as “Project financing” in these consolidated financial statements). The loans’ rates have two components: the base rate and the preferential rate applied to debt covered by escrow account balances. In case of excess of balances on escrow accounts over outstanding loans, the rate is capped depending on the amount of the excess.

Terms and debt repayment schedule

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

Terms and conditions of outstanding loans

mln RUB	Currency	Nominal interest rate as of 31 December	Year of maturity	2021		2020	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loans							
Secured bank loan	RUB	CBR's key rate + 3%	2027	13 918	13 872	14 642	14 522
Secured bank loan	RUB	CBR's key rate + 2,35%	2024	12 188	12 149	13 700	13 529
Secured project financing	RUB	0,01% - 7,99%	2024	7 329	6 614	-	-
Secured project financing	RUB	0,01% - 9,5%	2025	6 145	5 622	3 402	2 814
Secured project financing	RUB	0,01%-7,1%	2024	3 000	2 887	1 539	1 372
Secured project financing	RUB	0,01-7,60%	2024	3 169	2 935	-	-
Secured project financing	RUB	0,01% - CBR's key rate + 3,05%	2025	2 831	2 516	-	-
Secured project financing	RUB	0,01% - 7,7%	2025	2 799	2 482	-	-
Secured project financing	RUB	0,01% - 7,15%	2024	2 723	2 712	-	-
Secured project financing	RUB	0,01% - 7,15%	2024	2 431	2 421	-	-
Secured project financing	RUB	0,01% - 7,65%	2025	2 284	2 059	-	-
Secured project financing	RUB	0,01% - 7,65%	2025	2 118	1 906	-	-
Secured project financing	RUB	0,01% - 8,85%	2025	1 526	1 317	-	-
Secured project financing	RUB	0,01% -7,1 %	2024	1 098	1 092	-	-
Secured project financing	RUB	0,01% - 9%	2022	916	895	440	407
Secured project financing	RUB	0,01% - 8,5%	2023	769	770	445	404
Secured bank loan	RUB	CBR's key rate + 3,5%	2022	-	-	482	482
Secured bank loan	RUB	10,50%	2023	-	-	373	366
Total secured bank loans				65 244	62 249	35 023	33 896

The table continues on the next page.

Terms and conditions of outstanding loans, continued.

mln RUB	Currency	Nominal interest rate as of 31 December	Year of maturity	2021		2020	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured bank and other loans							
Unsecured bank loan	RUB	7,15%	2023	3 004	3 004	2 124	2 124
Unsecured bank loan	RUB	9,25%	2022	819	819	827	819
Unsecured bank loan	RUB	8,70%	2022	160	160	500	500
Unsecured loan	RUB	9,31%	2021	355	355	501	501
Unsecured loan	RUB	0,00%	2022	40	40	482	482
Unsecured bank loan	RUB	8,7% - 8,9%	2021	-	-	751	751
Unsecured bank loan	RUB	8,75%	2021	-	-	250	250
Unsecured bank loan	RUB	4,25% - 9,7%	2021	-	-	501	501
Unsecured bank loan	RUB	CBR's key rate + 1,75%	2021	-	-	435	435
Total unsecured bank and other loans				4 378	4 378	6 371	6 363
Unsecured bond issues							
Unsecured bonds	RUB	9,10%	2026	10 025	9 976	-	-
Unsecured bonds	RUB	7,95%	2023	5 147	5 128	5 215	5 181
Unsecured bonds	RUB	8,95%	2022	1 709	1 707	3 919	3 911
Unsecured bonds	RUB	11,85%	2021	-	-	1 155	1 154
Total unsecured bond issues				16 881	16 811	10 289	10 246
Total outstanding loans				86 503	83 438	51 683	50 505

As at 31 December 2021, the weighted average interest rate on current credit portfolio amounted to 6,52% p.a. (31 December 2020: 8,31% p.a.).

Bank loans are secured by:

- inventories with a carrying amount of RUB 55 147 million (31 December 2020: RUB 16 505 million), see note 18;
- pledge of bank promissory note of RUB 3 million (31 December 2020: RUB 3 million), note 16;
- pledge of 68% of shares in subsidiary company JSC “Zatonskoe” which represents RUB 3 921 million in its net assets* (31 December 2020: 48% of shares represents RUB 2 866 million in net assets);
- As at 31 December 2020: pledge of 100% of shares in subsidiary company LLC “Specialized Developer “LS-Riely” which represents RUB 4 151 million in its net assets*, as at 31 December 2021 – no pledge;
- pledge of 100% shares of JSC “Leader-Invest” and 100% of other subsidiary companies of JSC “Leader-Invest” which collectively represent RUB 42 151 million in net assets* (31 December 2020: RUB 43 927 million in net assets);
- pledge of 100% shares of JSC “Etalon LenSpetsSMU”, LLC “SZ Etalon Pushkin”, LLC “Zolotaya Zvezda”, JSC “SZ Komplekt”, LLC “EtalonStroy” and JSC “SZ “Izmaylovskoe 20” which collectively represent RUB 46 344 million in net assets* (31 December 2020: RUB 45 994 million in net assets);
- pledge of 99,9942% shares of LLC “Specialized Developer “Serebryaniy Fontan” which represents RUB 3 667 million in its net assets (31 December 2020: RUB 3 487 million in net assets).

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

As at 31 December 2021, the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments amount to RUB 64 696 million (31 December 2020: RUB 67 365 million).

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

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

As at the date these consolidated financial statements have been authorised for issue, taking into account waivers obtained from the banks before the reporting date, the Group was in compliance with loans’ operating covenants.

25 Provisions

mln RUB	Warranty provision	Provision for deferred works	Provision for onerous contracts	Provision for litigations and claims	Total
Balance at 1 January 2020	116	507	48	134	805
Provisions made during the year	173	1 825	-	5	2 003
Provisions used during the year	(54)	(1 905)	-	(52)	(2 011)
Provision reversed during the year	(106)	(58)	(23)	(83)	(270)
Balance at 31 December 2020	129	369	25	4	527
Balance at 1 January 2021	129	369	25	4	527
Provisions made during the year	18	1 669	57	149	1 893
Provisions used during the year	(25)	(1 586)	-	(32)	(1 643)
Provision reversed during the year	(5)	(121)	(14)	(2)	(142)
Balance at 31 December 2021	117	331	68	119	635
Non-current	117	-	-	-	117
Current	-	331	68	119	518
	117	331	68	119	635

a) Warranties

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

b) Provision for deferred works

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

c) Provision for litigations and claims

The Group records provision for litigations and claims when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

26 Contract liabilities, trade and other payables

mln RUB	2021	2020
<i>Long-term</i>		
Trade payables	24 257	25 695
Lease liabilities	6 859	998
Other payables	114	41
	31 230	26 734
<i>Short-term</i>		
Contract liabilities	14 157	28 351
Trade payables	5 000	6 396
VAT payable	4 234	3 466
Payroll liabilities	1 164	928
Other taxes payable	362	302
Lease liabilities	2 511	864
Other payables	10 421	9 260
	37 849	49 567
Total	69 079	76 301

Long-term trade payables mainly consist of an obligation equal to RUB 23 168 million (31 December 2020: RUB 25 245 million) for acquisition of 88% of share capital of LLC “Specialized Developer “ZIL-YUG” (an entity owning the land plot in the Moscow metropolitan area), payable in 2023-2024. In addition, the current part of the obligation of RUB 2 108 million (31 December 2020: RUB 2 265 million) is included into short-term trade payables. The carrying amounts of these payable were calculated by discounting the consideration of RUB 32 200 million payable in 2021-2024 to reflect the time value of money.

Short-term other payables mainly consist of an obligation, including accrued interest, to construct social infrastructure objects of RUB 8 042 million (31 December 2020: RUB 7 552 million) and a liability of RUB 622 million (31 December 2020: RUB 1 928 million) to the City authorities for change of intended use of land plot recognised as part of inventories.

As at 31 December 2021, non-financial liabilities recognised within contract liabilities, VAT and other taxes payable amounted to RUB 19 312 million (31 December 2020: RUB 32 119 million).

The explanation of significant changes in contract liability balance during the reporting period is presented in note 6.

The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

27 Financial instruments and risk management

a) Accounting classifications and fair values

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

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

- Level 1 inputs

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

- Level 2 inputs

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

- Level 3 inputs

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

mln RUB	Carrying amount		Fair value		
	At amortised cost	Total	Level 1	Level 2	Total
31 December 2021					
Financial assets not measured at fair value					
Trade receivables	9 429	9 429	-	9 220	9 220
Other receivables (excluding taxes receivable and advances paid to suppliers)	1 022	1 022	-	979	979
Loans given	1 070	1 070	-	647	647
Bank deposits (over 3 months)	42	42	-	42	42
Bank promissory notes	3	3	-	2	2
Cash and cash equivalents	44 587	44 587	44 587	-	44 587
	56 153	56 153	44 587	10 890	55 477
Financial liabilities not measured at fair value					
Secured bank loans	(26 020)	(26 020)	-	(27 368)	(27 368)
Secured project financing	(36 228)	(36 228)	-	(31 191)	(31 191)
Unsecured bank loans	(4 378)	(4 378)	-	(4 197)	(4 197)
Unsecured bond issues	(16 811)	(16 811)	(16 169)	-	(16 169)
Trade and other payables	(50 327)	(50 327)	-	(44 257)	(44 257)
	(133 764)	(133 764)	(16 169)	(107 013)	(123 182)

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

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

	Discounting factor	2021	2020
Receivables (excluding taxes receivable and advances paid to suppliers)	Weighted average rate on mortgages issued during the year	7,81%	7,36%
Loans given	Weighted average interest rates on loans to non-financial organizations	8,57%	6,88%
Unsecured loans and bond issued, and trade and other payables		8,57%	6,88%
Bank promissory notes	Weighted average interest rate on deposits of non-financial organizations	7,58%	4,30%

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

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

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

Risk management framework

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

b) Credit risk

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

Credit risk with regards to cash and cash equivalents and deposits with banks is managed by placing funds primarily in the banks listed in note 21.

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

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

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 31 December 2021, receivables from one customer equalled to RUB 414 million or 4% of the Group's consolidated trade and other receivables (31 December 2020: RUB 284 million or 2%).

(ii) Exposure to credit risk

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

mln RUB	Carrying amount	
	2021	2020
Loans given	1 070	318
Receivables (excluding taxes receivable and advances paid to suppliers)*, including contract assets	28 995	10 309
Bank promissory notes	3	94
Bank deposits (over 3 months)	42	100
Cash and cash equivalents	44 587	25 830
	74 697	36 651

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

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

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

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

Maturity analysis and impairment

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

mln RUB	Gross	Impairment	Gross	Impairment
	2021		2020	
Not past due	32 819	(4)	7 650	(7)
Past due 0-30 days	302	-	318	-
Past due 31-90 days	254	(1)	395	-
Past due 91-120 days	58	(1)	198	-
Past due more than 120 days	1 867	(533)	2 514	(655)
	35 300	(539)	11 075	(662)

The ageing of loans given at the reporting date was:

mln RUB	Gross	Impairment	Gross	Impairment
	2021		2020	
Not past due	1 146	(120)	342	(24)
Past due 0-30 days	-	-	-	-
Past due more than 120 days	132	(88)	88	(88)
	1 278	(208)	430	(112)

Allowance for impairment in respect of trade receivables

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

mln RUB	2021	2020
Balance at 1 January	662	747
Amounts written off	(84)	(137)
Net remeasurement of loss allowance	(39)	52
Balance at 31 December	539	662

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

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

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

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

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

During the reporting period, there were no changes in the quality of the collateral. There were no changes in the collateral policies of the Group during the year ended 31 December 2021.

Allowance for impairment in respect of other receivables

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

mln RUB	2021	2020
Balance at 1 January	964	763
Amounts written off	(359)	(72)
Net remeasurement of loss allowance	229	273
Balance at 31 December	834	964

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

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

mln RUB	2021	2020
Balance at 1 January	112	143
Amounts written off	-	(43)
Net remeasurement of loss allowance	96	12
Balance at 31 December	208	112

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

Allowance for impairment of cash and cash equivalents

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

Allowance for impairment in respect of advances paid to suppliers

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

mln RUB	2021	2020
Balance at 1 January	247	238
Amounts written off	(151)	(68)
Increase during the year	62	77
Balance at 31 December	158	247

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

c) Liquidity risk

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

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

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

Contractual maturities of financial liabilities were as follows:

31 December 2021

mln RUB	Carrying amount	Contractual cash flows	0 - 12 mths	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Non-derivative financial liabilities								
Loans and borrowings	83 437	97 766	19 980	23 317	30 754	19 645	3 298	772
Trade and other payables (excluding taxes payable and contract liabilities)	40 957	40 959	11 783	8 695	18 466	1 433	580	2
Lease liabilities	9 370	11 297	2 387	2 341	4 959	142	142	1 326
	133 764	150 022	34 150	34 353	54 179	21 220	4 020	2 100

31 December 2020

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

d) Market risk

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

(i) Currency risk

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

mln RUB	2021			2020		
	USD	GBP	EUR	USD	GBP	EUR
Cash and cash equivalents (see note 21)	85	2	5	163	2	18
Net exposure	85	2	5	163	2	18

The following significant exchange rates applied during the reporting period:

in RUB	Average rate		Reporting date spot rate	
	2021	2020	31 December 2021	31 December 2020
USD 1	73,67	72,32	74,29	73,88
EUR 1	87,09	82,84	84,07	90,68

(ii) Interest rate risk

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

Profile

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

mln RUB	Carrying amount	
	2021	2020
Fixed rate instruments		
Financial assets	41 119	19 806
Financial liabilities	(64 271)	(22 602)
	(23 152)	(2 796)
Variable rate instruments		
Financial liabilities	(28 537)	(29 765)
	(28 537)	(29 765)

Cash flow sensitivity analysis for variable rate instruments

mln RUB	Profit or loss		Equity	
	200 bp increase	100 bp decrease	200 bp increase	100 bp decrease
31 December 2021				
Variable rate instruments	(571)	285	(571)	285
Cash flow sensitivity (net)	(571)	285	(571)	285
31 December 2020				
Variable rate instruments	(595)	298	(595)	298
Cash flow sensitivity (net)	(595)	298	(595)	298

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the reporting date. The analysis shows how profit or loss and equity would have been affected by a 2% increase or 1% decrease in the variable interest rates and represents management's assessment of the change in the interest rates that were reasonably possible at the reporting date. This does not reflect any changes to variable interest rates subsequent to the year end as such changes represent non-adjusting events after the reporting period in accordance with IAS 10 *Events after the Reporting Period*.

Fair value sensitivity analysis for fixed rate instruments

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

e) Capital management

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

The capital structure of the Group consists of net debt (total loans and borrowings offset by cash and bank balances and bank deposits over 3 months) and equity of the Group (comprising issued capital and retained earnings as detailed in note 22). Certain subsidiaries of the Group may be subject to externally imposed capital requirements in accordance with Russian law.

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

mln RUB	2021	2020
Loans and borrowings, note 24	83 438	50 505
Less: cash and cash equivalents, note 21	(44 587)	(25 830)
Less: bank deposits over 3 months, note 20	(42)	(100)
Net debt	38 809	24 575
Total equity	61 360	51 073
Debt to capital ratio at end of period	0,63	0,48

At 31 December 2021, lease liabilities of RUB 9 018 million (31 December 2020: RUB 1 888 million) are included in trade and other payables (see notes 26 and 28) and are not included in the total amount of borrowings.

28 Leases

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

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

mln RUB	Inventories under construction	Property, plant and equipment	Total
Right-of-use assets			
Balance at 1 January 2021	2 395	312	2 707
Additions to right-of-use assets	8 573	784	9 357
Modifications of lease contracts	(38)	(25)	(63)
Depreciation charge	(221)	(200)	(421)
Balance at 31 December 2021	10 709	871	11 580
Lease liabilities			
Balance at 1 January 2021	1 587	275	1 862
Settlement of lease liabilities, including interest	(2 121)	(153)	(2 274)
Interest expense on lease liabilities	456	43	499
Additions to lease liabilities	8 573	773	9 346
Modifications of lease contracts	(38)	(25)	(63)
Balance at 31 December 2021	8 457	913	9 370

mln RUB	Inventories under construction	Property, plant and equipment	Total
Right-of-use assets			
Balance at 1 January 2020	2 080	400	2 480
Additions to right-of-use assets	482	69	551
Modifications of lease contracts	(31)	(41)	(72)
Depreciation charge	(136)	(116)	(252)
Balance at 31 December 2020	2 395	312	2 707
Lease liabilities			
Balance at 1 January 2020	1 636	402	2 038
Settlement of lease liabilities, including interest	(632)	(180)	(812)
Interest expense on lease liabilities	132	35	167
Additions to lease liabilities	481	66	547
Modifications of lease contracts	(31)	(47)	(78)
Termination of lease contracts	-	-	-
Balance at 31 December 2020	1 586	276	1 862

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

29 Capital commitments

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

30 Contingencies

a) Insurance

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

b) Litigation

During the year ended 31 December 2021 and 2020, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

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

31 Related party transactions

a) Transactions with management

(i) Management remuneration

Key management received the following remuneration during the year ended 31 December 2021, which is included in personnel costs (see note 10):

mln RUB	2021	2020
Short-term employee benefits - salaries and bonuses	652	312
	652	312

During the year ended 31 December 2021 and 2020, the Group did not grant any loans and pensions to its key management personnel.

During the year ended 31 December 2021, the remuneration of the members of the Board of Directors of the Company amounted to RUB 33 million (2020: RUB 28 million).

b) Transactions with other related parties

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

(i) Revenue

mln RUB	Transaction value		Outstanding balance	
	2021	2020	2021	2020
Other related parties	882	409	408	218
	882	409	408	218

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

(ii) Expenses

mln RUB	Transaction value		Outstanding balance	
	2021	2020	2021	2020
Other related parties	(680)	(178)	2 376	(116)
	(680)	(178)	2 376	(116)

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

(iii) Loans

mln RUB	Amount loaned / received		Outstanding balance	
	2021	2020	2021	2020
Loans given	-	(5)	2	2
Loans received	(4 362)	(1 210)	(5 349)	(5 145)
	(4 362)	(1 215)	(5 347)	(5 143)

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

(iv) **Other transactions**

mln RUB	Transaction value		Outstanding balance	
	2021	2020	2021	2020
Cash and cash equivalents in banks-related parties	102 256	262	9 312	276
Proceeds from investments in associates	40	12	(25)	-
Interest on deposits	201	18	-	-
Interest payable	(395)	157	(21)	(6)
	102 102	449	9 266	270

32 Group entities

Significant subsidiaries

Subsidiary	Country of incorporation	31 December 2021	31 December 2020
“Etalon Group company” AO	Russian Federation	100,00%	100,00%
LLC “EtalonAktiv”	Russian Federation	100,00%	100,00%
JSC “Etalon LenSpetsSMU”	Russian Federation	100,00%	100,00%
JSC “Novator”	Russian Federation	100,00%	100,00%
JSC “LenSpetsSMU-Rekonstruktsiya”	Russian Federation	100,00%	100,00%
LLC “Etalon-Invest”	Russian Federation	100,00%	100,00%
JSC “Zatonskoe”	Russian Federation	100,00%	100,00%
LLC “SPM-Zhilstroy”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “Serebryaniy Fontan”	Russian Federation	99,97%	99,97%
LLC “Specialized Developer “Etalon Galaktika”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “Etalon Development”	Russian Federation	100,00%	100,00%
JSC “Leader-Invest” (JSC “Etalon-Finance” after 4 April 2022)	Russian Federation	100,00%	100,00%
LLC “Razvitiye”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “ZIL-YUG”	Russian Federation	100,00%	100,00%
LLC “Specialized Developer “MBI”	Russian Federation	100,00%	100,00%
JSC “Lobachevskogo 120”	Russian Federation	100,00%	100,00%

As at 31 December 2021, the Group controlled 105 legal entities (31 December 2020: 119). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements. The above is a list of the most significant subsidiaries.

33 Events subsequent to the reporting date

Operating environment

Subsequent to the balance sheet date, the rapid and significant developments related to the conflict in Ukraine has led to additional and more severe sanctions imposed by the US, UK, EU and other countries on certain Russian institutions and individuals. These developments may result in reduced access for Russian businesses to international capital and export markets, weakening of the Russian Ruble, decline in capitals markets and other negative economic consequences.

The full impact of sanctions and consequent political and economic developments in Russia on future operations and the financial position of the Group is difficult to determine at this stage.

Although there is currently no prohibition on dividend distribution by the Company, certain provisions of sanctions as well as rules introduced by the Central Bank of Russia make it difficult to conduct the necessary intra-group transactions, which may affect the ability to pay dividends under the current dividend policy.

The Group continues to operate and fulfil its obligations to its customers, partners and employees, although the Company can provide no assurance that the current geopolitical situation and the resulting economic developments in Russia will not adversely affect operations and financial results in the future. The abovementioned events led to suspension of trading in the Company's GDRs starting from March 2022, and have had, and may continue to have, a negative impact on the trading price of the Company's GDRs.

Operating events

Prospective acquisition of YIT Russia

On 31 March 2022, the Boards of Directors of the Company and of YIT Corporation have agreed on the sale of YIT Russia for a maximum consideration of RUB 4 597 million to be paid in cash. The completion of the transaction is subject to further regulatory approvals.

YIT Russia focuses on mid-market residential real estate with a portfolio of 19 projects in five Russian regions, including the Moscow metropolitan area, St. Petersburg, the Ekaterinburg region, Kazan and Tyumen with a total unsold net sellable area (NSA) of 0.6 million sqm. It also operates several housing-service companies.

The primary reasons for the prospective acquisition are to increase supply in the Group's primary markets of Moscow and St Petersburg and to speed up Group's regional expansion, as well as to get access to the YIT Russia's software and technological know-how, including Dispatcher 24 software for managing apartment buildings and residential areas, project design documentation and a library of standard design solutions for cast-in-place construction and buildings made of prefabricated panels.

Financing events

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 31 December 2021 for the total amount of RUB 10 285 million and unsecured bonds for the total amount of RUB 550 million.

Subsequent to the reporting date, the Group has obtained additional tranches of loans for the total amount of RUB 15 651 million with nominal interest rates of 0,01%-9 % and repayable by 2025.

Subsequent to the reporting date, the Group has completed the acquisition of a land plot in the St. Petersburg metropolitan area where a part of acquisition price was financed by issuance of loan of RUB 850 million to the entity owning that land plot (note 16). Following the acquisition and completion of the consolidation procedures with regards to the acquired entity in 2022, the balance of loan will be included into the cost of acquired land plot within the line Inventories under construction and development in the consolidation statement of financial position for the year 2022.

Supplementary information

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

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

Adjusted net debt/Adjusted EBITDA ratio

mln RUB	2021	2020
Loans and borrowings	83 438	50 505
Less: cash and cash equivalents	(44 587)	(25 830)
Less: bank deposits over 3 months, note 20	(42)	(100)
Add: contract liabilities, reportable segment Residential development	10 528	25 530
Less: Inventories under construction, note 18	(95 431)	(102 179)
Adjusted net debt	(46 094)	(52 074)
	2021	2020
Gross profit	27 782	21 915
Less: General and administrative expenses	(5 784)	(5 235)
Less: Selling expenses	(4 639)	(4 560)
Adjusted operating profit	17 359	12 120
Add: Depreciation and amortisation	521	481
EBITDA	17 880	12 601
Add: Purchase price allocation from acquisition of Leader-Invest included in cost of sales	3 259	3 881
Adjusted EBITDA	21 139	16 482
Adjusted net debt/Adjusted EBITDA	(2,18)	(3,16)

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

Adjusted EBITDA represents gross profit for the year adjusted by general and administrative expenses, selling expenses, depreciation and amortisation and effect of purchase price allocation from acquisition of subsidiary.

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

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

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

Net corporate debt/Adjusted EBITDA

Net corporate debt represents net debt as defined in the note 27(e) adjusted for the amount of project financing (borrowings backed by balances on escrow accounts).

mln RUB	2021	2020
Loans and borrowings	83 438	50 505
Less: secured project financing	(36 228)	(4 995)
Total corporate borrowings	47 210	45 510
Less: cash and cash equivalents	(44 587)	(25 830)
Less: bank deposits over 3 months, notes 16 and 20	(42)	(100)
Net corporate debt	2 581	19 580
Net corporate debt/Adjusted EBITDA	0,12	1,19

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

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

mln RUB	2021	2020
Balance at 1 January	20 896	25 695
Included in Cost of sales	(3 259)	(3 881)
Included in Other expenses, net	(1 152)	(918)
Balance at 31 December	16 485	20 896

Profit for the year adjusted for the effect of purchase price allocation (PPA) from the acquisition of Leader-Invest

mln RUB	2021	2020
Profit for the year	3 007	2 036
Add: PPA included in Cost of sales	3 259	3 881
Add: PPA included in Other expenses, net	1 152	918
Less: tax effect of PPA	(882)	(960)
Profit for the year before PPA	6 536	5 875