Public Joint Stock Company
“PIK-specialized homebuilder”

Consolidated Financial Statements
for 2021
and Independent Auditors’ Report

Contents

Consolidated Financial Statements

Consolidated Statement of Financial Position as at 31 December 2021

mln RUB	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	15	29,789	35,546
Intangible assets and goodwill	16	15,772	14,033
Investment property	17	8,012	6,880
Equity-accounted investees	19	47,283	8
Other investments	20	3,059	218
Accounts receivable, including contract assets	21	4,387	663
Financial instruments measured at fair value through profit and loss	25	68,197	34,378
Deferred tax assets	14	12,167	4,747
Total non-current assets		**188,666**	**96,473**
Current assets			
Inventories	18	453,169	306,990
Other investments	20	3,261	454
Current income tax assets		3,619	1,785
Accounts receivable, including contract assets	21	278,796	145,341
Cash and cash equivalents	23	131,200	96,527
Other current assets		2,641	1,238
Total current assets		**872,686**	**552,335**
Total assets		**1,061,352**	**648,808**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 97.

Consolidated Statement of Financial Position as at 31 December 2021

mln RUB	Note	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity	26		
Share capital		41,295	41,295
Additional paid-in capital		(4,041)	(8,470)
Treasury shares		(758)	-
Translation reserve		15	-
Retained earnings		220,119	147,343
Total equity attributable to owners of the Company		**256,630**	**180,168**
Non-controlling interests	28	3,421	2,143
Total equity		**260,051**	**182,311**
Non-current liabilities			
Loans and borrowings	27	370,398	197,329
Accounts payable	30	33,129	7,450
Liabilities from long-term lease contracts	22	8,713	10,210
Provisions	29	315	153
Deferred tax liabilities	14	42,844	33,813
Total non-current liabilities		**455,399**	**248,955**
Current liabilities			
Loans and borrowings	27	76,896	34,766
Accounts payable, including contract liabilities	30	220,640	145,263
Liabilities from long-term lease contracts	22	7,217	3,753
Provisions	29	37,054	27,341
Current income tax liabilities		4,095	6,419
Total current liabilities		**345,902**	**217,542**
Total liabilities		**801,301**	**466,497**
Total equity and liabilities		**1,061,352**	**648,808**

These consolidated financial statements were approved by the Board of Directors on 24 June 2022 and were signed on its behalf by:

S. E. Gordeev
CEO

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

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 97.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2021

mln RUB	Note	2021	2020
Revenue	9	487,806	380,161
Cost of sales		(374,100)	(275,976)
Gross profit		**113,706**	**104,185**
(Loss)/gain on disposal of subsidiaries, associates and investment property, net	8	(2,447)	620
Distribution expenses		(7,240)	(6,264)
Administrative expenses	12	(15,232)	(10,755)
Share of profit/(loss) of equity-accounted investees, net of income tax	19	2,222	(212)
Profit from change in fair value of investment property	17	1,636	480
(Impairment losses)/reversal of impairment losses on non-financial assets, net	24	(221)	996
Other expenses, net	11	(4,850)	(1,363)
Profit from operating activities		**87,574**	**87,687**
Finance income	10	58,715	28,369
Finance costs	10	(19,790)	(8,213)
Significant financing component from contracts with customers	10	(2,357)	(2,568)
Net finance income for the period		**36,568**	**17,588**
Profit before income tax		**124,142**	**105,275**
Income tax expense	14	(20,557)	(18,782)
Profit for the reporting period		**103,585**	**86,493**
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		15	-
Other comprehensive income for the reporting period		**15**	**-**
Total comprehensive income for the reporting period		**103,600**	**86,493**
Profit attributable to:			
Shareholders of the Company		102,846	86,381
Non-controlling interests	28	739	112
Total comprehensive income attributable to:			
Shareholders of the Company		102,861	86,381
Non-controlling interests	28	739	112
Total comprehensive income for the reporting period		**103,600**	**86,493**
Basic and diluted earnings per share, RUB	26 (c)	**156.00**	**130.78**

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 97.

Consolidated Statement of Changes in Equity for 2021

mln RUB	Note	Equity attributable to owners of the Company: Share capital	Additional paid-in-capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020		**41,295**	**(8,470)**	**75,962**	**108,787**	**1,501**	**110,288**
Profit for the reporting period		**-**	**-**	86,381	**86,381**	112	**86,493**
Total comprehensive income for the reporting period		**-**	**-**	**86,381**	**86,381**	**112**	**86,493**
Transactions with owners of the Company							
Acquisition of non-controlling interests without change in control	28	-	-	-	**-**	(250)	**(250)**
Change in non-controlling interests due to the restructuring of subsidiaries	28	-	-	-	**-**	313	**313**
Other changes	28	-	-	-	**-**	467	**467**
Dividends	26 (a)	-	-	(15,000)	**(15,000)**	-	**(15,000)**
Total transactions with owners of the Company		**-**	**-**	**(15,000)**	**(15,000)**	**530**	**(14,470)**
Balance at 31 December 2020		**41,295**	**(8,470)**	**147,343**	**180,168**	**2,143**	**182,311**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 97.

Consolidated Statement of Changes in Equity for 2021

		Equity attributable to owners of the Company							
mln RUB	Note	Share capital	Additional paid-in-capital	Treasury shares	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2021		**41,295**	**(8,470)**	**-**	**-**	**147,343**	**180,168**	**2,143**	**182,311**
Profit for the reporting period		-	-	-	-	102,846	**102,846**	739	**103,585**
Other comprehensive income									
Foreign currency translation differences for foreign operations		**-**	**-**	**-**	15	-	**15**	-	**15**
Other comprehensive income for the reporting period		**-**	**-**	**-**	**15**	**-**	**15**	**-**	**15**
Total comprehensive income for the reporting period		**-**	**-**	**-**	**15**	**102,846**	**102,861**	**739**	**103,600**
Transactions with owners of the Company									
Other changes	28	-	-	-	-	-	**-**	(195)	**(195)**
Acquisition of subsidiaries with non-controlling interests	28	-	-	-	-	-	**-**	739	**739**
Disposal of subsidiaries with non-controlling interests	28	-	-	-	-	-	**-**	(5)	**(5)**
Repurchase of own shares	26 (b)			(758)	-	-	**(758)**	-	**(758)**
Income from secondary offering of shares, net of income tax	26 (b)	-	4,429	-	-	-	**4,429**	-	**4,429**
Dividends	26 (a)	**-**	**-**	**-**	**-**	(30,070)	**(30,070)**	**-**	**(30,070)**
Total transactions with owners of the Company		**-**	**4,429**	**(758)**	**-**	**(30,070)**	**(26,399)**	**539**	**(25,860)**
Balance at 31 December 2021		**41,295**	**(4,041)**	**(758)**	**15**	**220,119**	**256,630**	**3,421**	**260,051**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 97.

Consolidated Statement of Cash Flows for 2021

mln RUB	Note	2021	2020
Cash flows from operating activities			
Profit for the reporting period		**103,585**	**86,493**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	15.16	4,943	3,479
Impairment losses/(reversal of impairment losses) on non-financial assets, net	24	221	(996)
Loss on disposal of property, plant and equipment, intangible assets and other assets	11	1,751	816
Profit from change in fair value of investment property	17	(1,636)	(480)
Loss/(gain) on disposal of subsidiaries, associates and investment property, net	8	2,447	(620)
Elimination of unrealized profit on sales operations for the period and share of (profit)/loss of equity-accounted investees, net of income tax	19	(1,748)	212
Significant financing component from contracts with customers	10	2,357	2,568
Significant financing component and interest expense savings from project financing of construction of real estate sold through the use of escrow accounts recognised in revenue	9	(11,935)	(7,889)
Finance income	10	(58,715)	(28,369)
Finance costs	10	19,790	8,213
Income tax expense	14	20,557	18,782
Negative goodwill from acquisition of subsidiaries	11	-	(120)
		81,617	**82,089**
Changes in:			
Inventories and other current assets		(131,122)	(25,798)
Accounts receivable, including contract assets		(187,886)	(84,688)
Accounts payable, including contract liabilities and changes in provision for taxes, other than income tax		102,251	(8,854)
Provisions		8,189	2,086
Cash flows used in operations before income taxes and interests*		**(126,951)**	**(35,165)**
Income taxes paid		(23,487)	(6,326)
Interest paid		(19,889)	(9,089)
Net cash used in operating activities		**(170,327)**	**(50,580)**

* Cash flows from operating activities do not include funds placed on escrow accounts in the authorised banks by account holders (real estate customers) as a consideration paid under share participation agreements in the amount of RUB 191,538 million (2020: RUB 77,580 million).

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 97.

Consolidated Statement of Cash Flows for 2021

mln RUB	Note	2021	2020
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment and other assets		829	385
Interest received		3,730	3,359
Acquisition of property, plant and equipment and other intangible assets		(9,856)	(3,168)
Acquisition of subsidiaries, net of cash acquired	7	(506)	274
Acquisition of equity-accounted investees	19	(45,527)	(300)
Proceeds from disposal of associates and subsidiaries, net of cash		10,061	3,970
Proceeds from disposal of investment property and refund of prepayments received for the sale of investment property		(4,769)	4,883
Loans issued		(6,074)	(484)
Repayment of loans issued		489	314
Net cash (used in)/from investing activities		**(51,623)**	**9,233**
Cash flows from financing activities			
Payments for cash-settled financial instruments	25	20,352	(2,161)
Payments for lease liabilities	27	(4,934)	(2,696)
Proceeds from borrowings	27	406,077	129,695
Repayment of borrowings	27	(174,133)	(37,612)
Proceeds from issuance of bonds	27	48,116	7,015
Repurchase of bonds	27	(13,609)	(7,430)
Acquisition of non-controlling interests without change in control	27	(130)	(150)
Repurchase of own shares	26 (b)	(758)	-
Purchase and sale of own shares, net	26 (b)	5,537	-
Payment of dividends	26 (a)	(30,061)	(15,000)
Net cash from financing activities		**256,457**	**71,661**
Net increase in cash and cash equivalents		34,507	30,314
Effect of exchange rate fluctuations on cash and cash equivalents		166	5
Cash and cash equivalents at the beginning of the period		96,527	66,208
Cash and cash equivalents at the end of the period	23	**131,200**	**96,527**

Information on offset of operating and financing operations is presented in note 23.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 97.

Notes to the Consolidated Financial Statements for 2021

1 General information

(a) Organisation and operations

Public Joint Stock Company "PIK-specialized homebuilder" (the "Company") and its subsidiaries (together referred to as the "Group") comprise closed and open joint stock companies and limited liability companies incorporated under requirements of the Civil Law of the Russian Federation and entities registered in Cyprus, the Philippines and the Netherlands. The Company was established as a privately owned enterprise in 1994. The Company's shares are traded on the Moscow Exchange.

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

The primary activities of the Group are investing in development projects for construction of residential buildings and areas, sales of real estate properties; construction services; production of construction materials, including concrete panels, window frames and other construction elements, consumed mostly by the Group internally, heating supply, maintenance and servicing apartment buildings. In 2021 and 2020 the Group primarily operated in Moscow, Moscow region and other regions of Russia.

As at 31 December 2021 and 31 December 2020 the Company is ultimately controlled by Mr. Sergey E. Gordeev.

(b) Business environment

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

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

The majority of the Group's businesses are located in the Russian Federation and are therefore exposed to the economic and political impact of the policies pursued by the Government of the Russian Federation.

As at the date of approval of these consolidated financial statements, the Group has sufficient level of liquidity. Management believes that in the event of a deterioration of the economic situation in the Russian Federation, the Group will not require significant additional financing to meet its financial obligations. The Group has sufficient capacity to finance its activities, expressed in the unused limit of credit lines, fully covering the budgets of current projects, as well as available cash and cash equivalents.

The Group's main suppliers and buyers are residents of the Russian Federation, so the imposed sanctions do not have a significant impact on the Group.

The increase in the key rate of the Central Bank of the Russian Federation in 2022 leads to an increase in mortgage rates, which may lead to a decrease in demand for real estate. However, a possible temporary decrease in demand will not have a significant impact on the Group's liquidity position in 2022. The Group sells real estate using escrow accounts, therefore funds are credited to the Group's accounts only after completion of construction and releasing funds from escrow accounts. As at 31 December 2021, the majority of real estate properties for which releasing funds from escrow accounts is expected in 2022 are mostly sold out. For the rest of the facilities, completion of construction and releasing funds from escrow accounts are expected in 2023-2026.

Based on the results of the prepared analysis and cash flow forecast, the Group confirms the ability to continue as a going concern and fulfil its obligations as they become due.

Management has also assessed the potential impact of COVID-19 on these consolidated financial statements and concluded that there is no material impact on these consolidated financial statements.

Management continues to monitor developments in economic conditions.

The presented consolidated financial statements reflect management's assessment of the Russian Federation's business environment. The actual impact of future business conditions may differ from management's estimates. Management reviewed current events and conditions that may cause significant uncertainty in relation to the Group's ability to continue as a going concern and concluded that there is no material uncertainty that could cast significant doubt on the Group's ability to continue as a going concern.

We also draw attention to the information disclosed in note Subsequent events (see note 36) regarding the economic situation in the Russian Federation following the start of the special military operation in Ukraine and its impact on the Group's operations.

2 Basis of preparation of the consolidated financial statements

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs). The Group's significant accounting policies are set out in Note 38.

3 Functional and presentation currency of the consolidated financial statements

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

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

The results and financial position of subsidiaries whose functional currency is different from the presentation currency are translated into presentation currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

4 Use of estimates and judgments

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

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

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

- note 1 (b) Business environment – judgement of risks and offsetting factors affecting the Group's ability to continue as a going concern;
- note 7 Acquisition of subsidiaries and associates – classification of the acquisition of subsidiaries as an asset purchase or a business acquisition;
- notes 9 Revenue and 38 (b) Revenue from contracts with customers – whether revenue from real estate is recognised over time or at a point in time;
- note 16 Intangible assets and goodwill – useful lives of intangible assets;
- note 19 Equity-accounted investees – whether the Group has joint control over an investee;
- notes 24 Impairment loss on non-financial assets and 38 (p) Impairment loss – depreciation of inventories, impairment of advances issued, property, plant and equipment and intangible assets and goodwill;
- notes 29 Provisions and 38 (g) Provisions – the provision for onerous contracts, provision for the cost to complete, litigation provision, warranty and tax provisions;
- notes 22 Leases and 38 (m) Leases – determination of the lease term and liability amount;
- note 31 (b) Credit Risk – estimated provisions for trade receivables.

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

- note 7 Acquisition of subsidiaries and associates – determination of the fair values at the acquisition date;
- note 9 Revenue – an estimate of expected revenue;
- note 14 Income taxes – availability of future taxable profits against which tax losses carried forward can be set off;
- note 17 Investment property – key assumptions regarding valuation of investment property;
- note 18 Inventories – key assumptions affecting the identification and determination of the amount of impairment;
- notes 24 Impairment loss on non-financial assets and 38 (p) Impairment loss – key assumptions in determining a recoverable amount;
- note 25 Financial instruments measured at Fair value through profit and loss – assumptions in determining at fair value;
- notes 29 Provisions, 32 Contingencies and 38 (g) Provisions – key assumptions regarding the likelihood and magnitude of an outflow of resources;
- note 38 (p) Impairment loss – key assumptions regarding the measurement of an allowance for expected credit losses in respect of receivables and contractual assets.

5 Measurement of fair values

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

Property, plant and equipment

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

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

Investment property

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

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

Intangible assets and goodwill

The fair value of relations with clients (client base (see note 16)) acquired through business combination, as well as other intangible assets, including those acquired through business combinations, was determined based on the discounted cash flows that were expected to be received from the use and/or subsequent sale of these assets. The fair value of relations with clients was determined with the use of income approach based on the multi-period excess earnings method, i.e. the net present value of cash flows after deducting all other assets and liabilities of the business. The client base is recognised as an intangible asset with an indefinite useful life, and is not amortised.

Inventories

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

Non-derivative financial liabilities

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

Financial instruments measured at fair value through profit and loss

The fair value of financial instruments measured at fair value through profit and loss (see note 25), was determined on the basis of discounted cash flows expected to be received at the end of financial instruments contracts.

6 Operating segments

Until 31 December 2020, the Group's management analysed its activities in six reporting segments: Development, Commercial Construction, Maintenance, Industrial Segment, Proptech, Other.

According to the Group's strategic growth directions, management structure and reporting in 2021, management reconsidered the composition of reportable segments, analysed regularly. Comparative information for 2020 is presented in accordance with the updated composition of reportable segments.

As at 31 December 2021, the Group reported five reporting segments which are its strategic business units:

- Development and construction: development of residential and commercial real estate and provision of construction services.

- Maintenance: maintenance and management of residential buildings and other properties, technical maintenance of utility systems and rendering heat, water and electricity supply services, provision of Internet services.
- Industrial Segment: production and assembly of prefabricated panel buildings and other related activities, including production of construction materials and components, production and sale of IoT-devices.
- Proptech: rent of apartment services, purchase and sale of real estate in the secondary housing market, repair of premises, agency services for the sale of residential apartments, implementation of IT solutions.
- Other: rental services and other activities.

The Group’s Management Board analyses the internal management reports of each division at least once a quarter.

The Development and construction and Maintenance segments are integrated on various levels related to the construction and maintenance of real estate. Transactions between segments, as a rule, are conducted with similar pricing as transactions between independent parties.

Information on the results of each reportable segment is presented in the table below. The financial results of operations are measured based on the segment gross profit reflected in internal management reports which are analysed by the Group’s Management Board. Management believes this information is most relevant in assessing the performance of individual segments in comparison with other businesses operating in the same industries.

(a) Profit and loss of segments

	Development and construction		Maintenance		Industrial segment		Proptech		Other		Total	
mln RUB	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
External revenues	430,704	347,562	25,171	24,233	5,605	3,363	24,146	2,936	2,180	2,067	**487,806**	**380,161**
Inter-segment revenue	4,144	4,171	3,284	4,111	41,898	35,404	526	29	188	177	**50,040**	**43,892**
Total revenue for reportable segments	**434,848**	**351,733**	**28,455**	**28,344**	**47,503**	**38,767**	**24,672**	**2,965**	**2,368**	**2,244**	**537,846**	**424,053**
Gross profit for reportable segments	**104,488**	**95,736**	**7,309**	**7,320**	**109**	**478**	**1,608**	**426**	**192**	**225**	**113,706**	**104,185**
Gross margin	**24%**	**28%**	**29%**	**30%**	**2%**	**14%**	**7%**	**15%**	**9%**	**11%**	**23%**	**27%**

(b) Geographical information

Activities of reportable segments are concentrated in three main geographical regions named in these consolidated financial statements "Moscow", "Moscow Region" and "Other Regions", which include operations in the regions of Russia and abroad. In 2021, the results of operations of companies incorporated abroad were insignificant.

Segment revenues are presented based on the geographical location of the respective segment's assets.

mln RUB	2021	2020
Moscow	351,894	250,113
Moscow Region	100,363	107,736
Other regions	35,549	22,312
	487,806	**380,161**

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

mln RUB	2021	2020
Revenue		
Total revenue of reportable segments	537,846	424,053
Elimination of reportable inter-segment sales revenue	(50,040)	(43,892)
External revenues	**487,806**	**380,161**
Reconciliation of gross profit and profit before tax		
Gross profit for reportable segments	113,706	104,185
Consolidated gross profit	**113,706**	**104,185**
Unallocated amounts		
(Loss)/gain on disposal of subsidiaries, associates and investment property, net	(2,447)	620
Distribution expenses	(7,240)	(6,264)
Administrative expenses	(15,232)	(10,755)
Profit from change in fair value of investment property	1,636	480
(Impairment losses)/reversal of impairment losses on non-financial assets, net	(221)	996
Other expenses, net	(4,850)	(1,363)
Finance income	58,715	28,369
Finance costs	(19,790)	(8,213)
Significant financing component from contracts with customers	(2,357)	(2,568)
Share of profit/(loss) of equity-accounted investees, net of income tax	2,222	(212)
Consolidated profit before tax	**124,142**	**105,275**

In 2021 and 2020, none of the customers' volume sales exceeded 10% of the Group's total revenue for the reporting period. In the Development and construction segment, four counterparties' revenue accounted for 10% of the segment's revenue. In the Maintenance segment, revenue from one of counterparties in 2021 accounted for 8% of the segment's revenue (2020: one counterparty's revenue accounted for 6% of the segment's revenue).

7 Acquisition of subsidiaries

(a) Acquisition of subsidiaries in 2021

In August 2021, the Group acquired a 60% stake in an import-substituting microelectronics manufacturing facility in Russia for RUB 150 million paid in cash. In September, the Group increased its stake to 100% for RUB 100 million. This acquisition was settled by exchanging of other assets.

In October 2021, the Group acquired a 100% interest in a company, which provides design services, earthworks and monolithic works, waterproofing, masonry, installation of engineering systems, landscaping, and finishing works for RUB 444 million, of which RUB 361 million was paid in cash. The remaining unpaid amount of RUB 83 million was included in payables.

As part of business combination, the Group recognised assets and liabilities at the acquisition date at their fair value, which were determined by the independent appraiser engaged by the Group's management.

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

mln RUB	**31 December 2021**
Property, plant and equipment	24
Intangible assets	101
Deferred tax assets	4
Inventories	491
Accounts receivable	603
Loans issued	86
Cash and cash equivalents	5
Loans and borrowings	(32)
including loans from the Group companies	*(32)*
Accounts payable	(1,163)
including accounts payable of the Group companies	*(1)*
Net identifiable assets, liabilities and contingent liabilities	**119**
Goodwill	514
Non-controlling interests	(39)
Total consideration	**594**
Consideration paid	511
Unpaid consideration included in accounts payable	83
Cash acquired	(5)
Acquisition of subsidiaries, net of cash acquired	**506**

Acquisition of the microelectronics producer

As a result of the acquisition of the microelectronics producer, the Group recognised goodwill in the amount of RUB 91 million.

The goodwill is primarily attributable to the rapid development of the smart home market and the expected synergy from the integration of this business into the Group's business.

As part of the business combination the Group recognised identifiable intangible assets consisting of contracts for the location of production and property, plant and equipment at their fair values, which were determined by the independent appraiser engaged by the Group's management.

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

- all acquired companies were operating companies and would continue their activities in the future;

- the discounted cash flow method was used to determine the fair value of the location contracts:
  - The revenue forecast was based on the management Company's actual and forecast data for 2021 and 2022 revenue, taking into account the current capacity utilisation of the acquired company;
  - Average EBITDA margin was estimated at 6% based on management expectations;
  - The discount rate applied equalled the cost of equity of 18.61%;
  - The tax rate applied was the Russian statutory income tax rate of 20%.

Acquisition of company providing design services and construction of external utilities

As a result of the acquisition the Group recognised goodwill in the amount of RUB 423 million.

Goodwill is determined by the professionalism and experience of the company's management team and the company's existing potential and reputation in the market, as well as the synergies from the merger.

As part of the business combinations the Group recognised identifiable intangible assets consisting of contracts and other assets at their fair values, which were determined by an independent appraiser engaged by the Group's management.

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

- All existing contracts will be implemented as scheduled;
- The discounted cash flow method was used to determine the fair value of the existing contracts:
  - The revenue forecast was based on the management's actual and forecast data on 2021 and 2022 revenues;
  - The discount rate applied equalled the cost of equity of 27.01%;
  - The tax rate applied was the Russian statutory income tax rate of 20%.

As part of the analysis of property, plant and equipment, the most material assets identified by the Group in the acquired business are equipment and storage units. The fair value was determined using the comparative approach, in particular the adjusted market value of similar items, net of depreciation.

(b) Acquisition of subsidiaries classified as an asset

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

(c) Acquisition of subsidiaries in 2020

In 2020, the Group entered into agreements with third parties to acquire a 70% share in two Russian companies providing contracting services to design and construct infrastructure facilities, water pipelines, sewerage systems, heating networks, and landscaping. The consideration amounted to RUB 197 million and was paid in full in cash during 2020. As part of the business combinations, the Group recognised assets and liabilities at fair value at the acquisition date, with the fair value determined by an independent appraiser engaged by management. The net identifiable assets amounted to RUB 453 million.

8 Disposals of subsidiaries, associates and investment property

In 2021 and 2020, mostly for legal restructuring purposes after completion of construction the Group sold companies included in the Development and construction segment.

Besides, in 2021 some companies included in the Maintenance segment were sold as part of the transaction of sale of property, plant and equipment.

In 2020, the Group sold its interests in two associates (services sector companies).

The following table summarises the result of their disposal:

mln RUB	2021	2020
Property, plant and equipment	(17,681)	(129)
Intangible assets	(86)	(7)
Equity accounted investees	-	(1,399)
Inventories	(1,258)	(56)
Other investments	(489)	(41)
Income tax receivable	(1,340)	(133)
Accounts receivable, including contract assets	(8,258)	(1,202)
Deferred tax assets	(2,970)	(145)
Deferred tax liabilities	2,871	88
Loans and borrowings	362	159
Trade and other payables	10,973	721
Liabilities from long-term lease contracts	591	-
Provisions	518	58
Income tax payable	1,857	-
Net assets	**(14,910)**	**(2,086)**
Non-controlling interest	(5)	-
Receivables from the disposal of subsidiaries	**4,105**	**88**
Advances received in the previous period for the acquisition of companies	**-**	**270**
Consideration received in cash	**9,927**	**2,789**
Cash and cash equivalents of disposed subsidiaries	(1,124)	(311)
(Loss)/gain on disposal of subsidiaries and associates, net	**(2,007)**	**750**
Loss on disposal of investment property, net	(440)	(130)
(Loss)/gain on disposal of subsidiaries, associates and investment property, net	**(2,447)**	**620**

9 Revenue

(a) Disaggregation of revenue by timing of revenue recognition

mln RUB	2021	2020
Revenue from sales of real estate and construction revenue	**430,704**	**347,562**
Revenue from sales of residential properties recognised over time	300,106	275,579
Revenue from construction services recognised over time	64,061	48,311
Revenue from sales of non-residential premises and parking spaces recognised over time	18,422	19,000
Revenue from the sale of land plots available for the construction recognised at a point in time	47,788	4,504
Other development revenue	327	168
Revenue from other sales	**57,102**	**32,599**
Revenue from the sale of assignment agreements under share participation agreements concluded with third-party developers and resale of residential property acquired in the secondary market recognised at a point in time	20,994	1,602
Revenue from other sales of goods and services recognised at a point in time	10,937	6,764
Revenue from maintenance services, recognised over time	25,171	24,233
Total revenue from contracts with customers	**487,806**	**380,161**

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

The significant financing component as part of the transaction price recognised in revenue from sales of real estate for 2021 amounted to RUB 3,276 million (for 2020: RUB 5,361 million). For most of the construction contracts, there is no significant financing component due to the fact that the period between receipt of payment and the fulfilment of the obligation or part of the obligation under the contracts with customers, corresponding to the payment, does not exceed 12 months, and the Group applies a practical expedient (see note 38(b)).

The significant financing component in the transaction price in contracts with customers concluded in 2021, was calculated using interest rates from 5.66% to 10.07% (2020: from 5.7% to 9.3%).

The transaction prices in sales of properties involving escrow accounts were determined taking into account savings on interest expense as a result of applying preferential interest rates compared to base rates stipulated in the credit facility agreements. Preferential interest rates are applied to project credit facility balances covered by funds placed by customers on escrow accounts. Rates are further reduced when the cash balances on escrow accounts exceed the amount of the loan received. As a result, the actual interest rate was less than 1% in certain periods. Base interest rates in 2021 varied from +1.6% above the key rate of the Central Bank of the Russian Federation to 3.84% (2020: from +1.6% above the key rate of the Central Bank of the Russian Federation to 9.9%). Savings on interest expense recognised in revenue in 2021 amounted to RUB 8,659 million (2020: RUB 2,528 million).

During 2021, the Group compensated banks for a portion of interest expense on mortgage loans issued by the banks at lower interest rates than the banks’ customary market rates to customers who had purchased real estate from the Group. This consideration has decreased the transaction price for the sale of real estate. The reduction in revenue from the sale of real estate related to these refunds in 2021 amounted to RUB 2,713 million (2020: RUB 1,960 million).

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

The Group recognises revenue from share participation agreements which have been concluded to settle obligations for acquired land plots. In 2021 the effect of revenue being recognised from such contracts and certain contracts being terminated in the reporting period (note 9a (iii)) amounted to a net increase in revenue from sales of real estate of RUB 805 million (2020: amounted to a net decrease in revenue of RUB 873 million).

(iii) Termination of contracts previously recognised in revenue

In 2021, the Group reversed revenue recognised in prior periods due to terminations of several share participation agreements in the amount of RUB 788 million (2020: RUB 1,185 million). Contracts were terminated mainly because payments were made in cash for the land plots, whereas it was initially agreed to settle the obligations by share participation agreements (2021: about 35%, 2020: about 60%). In addition, contracts were terminated based on mutual agreements between the parties where there were purchases of another property from elsewhere in the Group and for other reasons.

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

During the reporting period, the Group revised several construction project budgets. As a result, the progress towards the complete satisfaction of performance obligations for certain contracts with customers changed by an average of 2% to 3% compared to the percentage of completion used in the preparation of the consolidated financial statements for 2020.

(v) Revenue from the sale of land plots ready for construction recognised at a point in time

In 2021, revenue from the sale of land plots ready for construction comprises the sale of four development projects and three land plots ready for development by third-party developers. As a result of the sale of one project, the Group recognised a receivable of RUB 8,030 million, which will be settled in the first half of 2022.

In 2020, other development revenue comprises the sale of two development projects at an early stage and before sales started (see note 18), to other developers, who will manage the construction with the Group being hired as a general constructor, with insignificant gross margin.

(b) Contract assets and liabilities from contracts of the Development and construction segment

mln RUB	31 December 2021	31 December 2020
Contract assets	41,913	30,876
Assets under contracts with customers involving escrow accounts	128,102	61,478
Contract related costs recognised as other current assets	2,641	1,238
Trade receivables	875	264
Contract liabilities	(94,489)	(77,506)

Contract assets represent the Group's right for consideration to be received from contracts with customers of the Development and construction segment, where payments are made in instalments and where construction progress is ahead of the payment schedule. Contract liabilities with customers within accounts payable include outstanding prepayments of the Development and construction segment, recognised a significant financing component and savings on interest expense.

As at 31 December 2021, the net amount of the significant financing component did not significantly affect liabilities under contracts with customers (31 December 2020: increased liabilities under contracts with customers by RUB 255 million and savings on interest expenses as part of liabilities under contracts with customers of real estate amounted to RUB 5,717 million (31 December 2020: RUB 995 million).

Revenues with respect to unsatisfied performance obligations at the end of the reporting period are expected to be recognised over a period of between one and nine years. The total amount of performance obligations under contracts with customers of the Development and construction segment concluded as at the reporting date amounted to approximately RUB 315,594 million (31 December 2020:

RUB 242,593 million). Revenue of the Development and construction segment in amount of approximately RUB 254,168 million are expected to be recognised during the next 12 months with respect to performance obligations outstanding as at 31 December 2021 (31 December 2020: RUB 159,015 million).

In 2021 in the Development and construction segment the Group recognised revenue of RUB 57,230 million, which was included in contract liabilities as at 1 January 2021. In 2020, the Group recognised revenue of RUB 85,093 million, which was included in contract liabilities as at 1 January 2020.

(c) Contract assets and liabilities from sale of other products and services

mln RUB	31 December 2021	31 December 2020
Trade receivables	16,862	14,931
Current contract liabilities:	(8,047)	(3,135)
– contracts when revenue recognised at a point in time	(7,080)	(1,862)
– contracts when revenue recognised over time	(967)	(1,273)

10 Finance income and costs

mln RUB	2021	2020
Revaluation of cash-settled financial instruments (see note 25)	54,171	21,840
Interest income	4,153	4,034
Gain on modification of terms of a long-term financial instrument*	-	2,300
Foreign exchange gains, net	146	24
Write-off of accounts payable	74	122
Other finance income	171	49
Finance income	**58,715**	**28,369**
Interest expense before capitalisation in inventories	(33,857)	(15,619)
Capitalised interest expense	19,993	10,866
Total interest expense after capitalisation	**(13,864)**	**(4,753)**
Loss on impairment of financial assets	(1,534)	(1,598)
Share of profit of non-controlling interests in the Group's subsidiaries	(736)	(308)
Other finance costs**	(3,656)	(1,554)
Finance costs	**(19,790)**	**(8,213)**
Significant financing component from contracts with customers	(2,357)	(2,568)
Net finance income for the period	**36,568**	**17,588**

* In 2020, upon completion by the seller of its contractual terms, the Group repaid early the long-term debt for land plots acquired in previous reporting periods. The Group also received an additional discount for the early payment. The change in the financial liability as a result of its early repayment was recognised in finance income during the corresponding reporting period.

** Other finance costs include the effect of discounting the provision for costs to complete in the amount of RUB 2,617 million (2020: RUB 643 million).

Capitalisation of interest expense and significant financing component

In 2021, interest expense, including savings on interest expense from the use of escrow accounts in the transaction price in share participation agreements, amounting to RUB 19,993 million (2020:

RUB 10,866 million) and a significant financing component amounting to RUB 543 million (2020: RUB 2,538 million) were capitalised in inventories.

In 2021, interest expense capitalised in inventories included in cost of sales, including the effect from savings on interest expense from the use of escrow accounts in the transaction price in share participation agreements and a significant financing component, amounted to RUB 9,871 million (2020: RUB 8,496 million).

Capitalised interest expense was included in the cost of sales of real estate properties in 2021 in the amount of RUB 9,829 million (2020: RUB 8,272 million), net of reversals of previously recognised impairment losses.

The total effect of capitalisation of interest expense, including interest expense from realised savings from the use of escrow accounts in the transaction price in share participation agreements, and of a significant financing component, in the amount of construction-in-progress net of their amounts recognised in cost of sales of real estate amounted to RUB 10,706 million (in 2020: RUB 5,132 million).

The weighted average capitalisation rate in 2021 was 8,7% (2020: 8.3%).

In 2021 interest expense before capitalisation in inventory included RUB 30,504 million of interest accrued on bank loans and bonds (2020: RUB 14,427 million).

11 Other expenses, net

mln RUB	**2021**	**2020**
Penalties and fines, including provision for litigation and claims	(2,829)	(1,038)
Charity	(46)	(12)
Loss on disposal of property, plant and equipment	(199)	(5)
Loss from write-off of intangible assets	(844)	(379)
Tax expenses	(332)	(27)
Result from sale and write-off of other assets	(708)	(432)
Other income, net	108	410
Negative goodwill from acquisition of subsidiaries	-	120
	(4,850)	**(1,363)**

12 Administrative expenses

mln RUB	**2021**	**2020**
Personnel costs	8,563	5,765
Professional and other services	1,378	782
Research and development	769	1,097
Taxes	910	771
Depreciation of property, plant and equipment, amortisation of intangible assets and right-of-use assets	1,122	735
Rent	283	249
Software	599	110
Material costs	629	585
Other administrative expenses	979	661
	15,232	**10,755**

13 Personnel costs

mln RUB	2021	2020
Salaries and wages		
Cost of sales	36,996	25,658
Administrative expenses	7,204	4,761
Distribution expenses	1,352	1,384
	45,552	**31,803**
Social charges		
Cost of sales	8,379	6,231
Administrative expenses	1,359	1,004
Distribution expenses	414	383
	10,152	**7,618**
Total	**55,704**	**39,421**

14 Income taxes

(a) Amounts recognised in profit and loss

The Group’s applicable tax rate for income tax is 20% for Russian companies (2020: 20%). The subsidiaries located in Cyprus were taxed at a rate 12.5% (2020: 12.5%). The subsidiaries located in the Republic of the Philippines and the Netherlands were taxed at a rate 25% and 16.5% respectively.

The income tax expense consists of the following:

mln RUB	2021	2020
Current tax expense		
Current income tax for the period	(19,273)	(10,002)
Underprovided in previous periods	(580)	(19)
Reversal of tax provision (see note 29)	414	1,128
	(19,439)	**(8,893)**
Deferred income tax expense		
Origination and reversal of temporary differences	(1,118)	(9,889)
	(1,118)	**(9,889)**
Total income tax expense	**(20,557)**	**(18,782)**

(b) Reconciliation of effective tax rate

mln RUB	2021	%	2020	%
Profit before income tax	124,142	100	105,275	100
Income tax expense at applicable tax rate	(24,828)	(20)	(21,055)	(20)
Recognition and use of tax assets for losses previously unrecognised	5,118	4	1,468	1
Underprovided in previous periods	(580)	-	(19)	-
Non-deductible expenses	(573)	-	(319)	-
Gain on bargain purchase of subsidiaries	-	-	24	-
Effect of tax rates in foreign jurisdictions	(108)	-	(9)	-
Reversal of tax provision	414	-	1,128	1
	(20,557)	**(16)**	**(18,782)**	**(18)**

(c) Recognised deferred tax assets and liabilities

mln RUB	Assets		Liabilities		Net	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Property, plant and equipment	1,202	1,786	(1,626)	(1,568)	(424)	218
Investment property	(12)	7	(1,445)	(1,212)	(1,457)	(1,205)
Financial instruments measured at fair value through profit and loss	-	-	(12,039)	(5,276)	(12,039)	(5,276)
Other investments	353	177	(54)	(56)	299	121
Intangible assets and goodwill	21	5	(2,110)	(2,268)	(2,089)	(2,263)
Inventories	9,570	5,730	(35,931)	(31,570)	(26,361)	(25,840)
Accounts receivable, including contract assets	4,727	2,477	(1,695)	(1,295)	3,032	1,182
Accounts payable, including contract liabilities	2,117	928	(2,209)	(1,964)	(92)	(1,036)
Loans and borrowings	-	-	(69)	(64)	(69)	(64)
Tax loss carry-forwards	8,531	5,097	(8)	-	8,523	5,097
Tax assets/(liabilities)	26,509	16,207	(57,186)	(45,273)	(30,677)	(29,066)
Offsetting of tax	(14,342)	(11,460)	14,342	11,460	-	-
Deferred tax assets/(liabilities)	**12,167**	**4,747**	**(42,844)**	**(33,813)**	**(30,677)**	**(29,066)**

(d) Movement in deferred tax balances

mln RUB	1 January 2021	Recognised in profit or loss	Recognised in equity	Effect of disposals	Effect of acquisitions*	31 December 2021
Property, plant and equipment	218	(342)	-	(300)	-	(424)
Investment property	(1,205)	(252)	-	-	-	(1,457)
Financial instruments measured at fair value through profit and loss	(5,276)	(6,763)	-	-	-	(12,039)
Other investments	121	164	-	-	14	299
Intangible assets and goodwill	(2,263)	174	-	-	-	(2,089)
Inventories	(25,840)	(2,104)	-	1,583	-	(26,361)
Accounts receivable, including contract assets	1,182	1,569	-	(408)	689	3,032
Accounts payable, including contract liabilities	(1,036)	966	-	(23)	1	(92)
Loans and borrowings	(64)	(5)	-	-	-	(69)
Tax loss carry-forwards	5,097	5,475	(1,107)	(951)	9	8,523
	(29,066)	**(1,118)**	**(1,107)**	**(99)**	**713**	**(30,677)**

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

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

(e) Unrecognised deferred tax assets

Deferred tax assets of RUB 5,753 million (31 December 2020: RUB 11,261 million including RUB 4,329 identified in 2021) have not been recognised in respect of the deductible temporary differences and tax losses carried forward because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

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

As at 31 December 2021, the Group did not recognise a deferred tax liability related to temporary differences of RUB 335,482 million (31 December 2020: RUB 244,257 million) because the Group can control the dividend policy of subsidiaries and the timing of the reversal of temporary differences, or due to the zero rate of the applicable dividend tax.

15 Property, plant and equipment

mln RUB	Buildings	Plant and equipment	Infrastructure facilities	Other fixed assets	Construction-in-progress	Total
Cost / Deemed cost						
As at 1 January 2020	**18,684**	**8,058**	**10,459**	**1,695**	**5,244**	**44,140**
Acquisitions through business combinations	11	298	-	17	-	326
Additions	209	131	6	5	3,439	3,790
Transfers from inventories	-	-	-	-	971	971
Disposals	(122)	(409)	(229)	(75)	(165)	(1,000)
Disposals of subsidiaries (see note 8)	(44)	(5)	(61)	(1)	(114)	(225)
Reclassifications to inventories	-	-	-	-	(38)	(38)
Reclassification between groups	88	(75)	-	(13)	-	-
Transfers	365	620	4,430	276	(5,691)	-
As at 31 December 2020	**19,191**	**8,618**	**14,605**	**1,904**	**3,646**	**47,964**
Acquisitions through business combinations (see note 7(a))	-	24	-	-	-	24
Additions	807	4,781	-	148	8,639	14,375
Transfers from inventories	-	-	-	-	4,170	4,170
Disposals	(2,172)	(764)	(329)	(536)	(208)	(4,009)
Disposals of subsidiaries (see note 8)	(1,088)	(1,106)	(15,429)	(75)	(2,787)	(20,485)
Reclassifications to inventories	(711)	(143)	(34)	(3)	(56)	(947)
Reclassification between groups	104	(88)	17	(33)	-	-
Transfers	1,513	2,640	3,523	991	(8,667)	-
As at 31 December 2021	**17,644**	**13,962**	**2,353**	**2,396**	**4,737**	**41,092**

mln RUB	Buildings	Plant and equipment	Infrastructure facilities	Other fixed assets	Construction-in-progress	Total
Accumulated depreciation and impairment losses						
As at 1 January 2020	**(4,470)**	**(2,779)**	**(1,433)**	**(931)**	**(74)**	**(9,687)**
Depreciation charge	(1,306)	(888)	(610)	(374)	-	(3,178)
Disposals	62	181	41	67	-	351
Disposals of subsidiaries (see note 8)	10	3	9	-	74	96
Reclassification between groups	(2)	1	-	1	-	-
As at 31 December 2020	**(5,706)**	**(3,482)**	**(1,993)**	**(1,237)**	**-**	**(12,418)**
Depreciation charge	(1,494)	(1,439)	(1,020)	(434)	-	(4,387)
Disposals	1,263	588	270	430	-	2,551
Disposals of subsidiaries (see note 8)	339	188	2,244	33		2,804
Reclassification to inventories	134	1	12	-	-	147
Reclassification between groups	(2)	3	(1)	-	-	-
As at 31 December 2021	**(5,466)**	**(4,141)**	**(488)**	**(1,208)**	**-**	**(11,303)**
Net book value						
As at 1 January 2020	**14,214**	**5,279**	**9,026**	**764**	**5,170**	**34,453**
As at 31 December 2020	**13,485**	**5,136**	**12,612**	**667**	**3,646**	**35,546**
As at 31 December 2021	**12,178**	**9,821**	**1,865**	**1,188**	**4,737**	**29,789**

The result of the impairment test for property, plant and equipment is described in Note 24 (a).

(a) Depreciation expense

In 2021 depreciation expense of RUB 3,246 million was charged to cost of sales, RUB 105 million to distribution expenses, RUB 1,036 million to administrative expenses (2020: RUB 2,358 million, RUB 128 million, and RUB 692 million, respectively).

(b) Right-of-use assets

As at 31 December 2021, the net book value of leased property, plant and equipment was RUB 5,573 million (31 December 2020: RUB 2,139 million). The information about leases is disclosed in note 22.

(c) Transfer from inventories

In 2021, the Group revised the further way of the usage of certain engineering infrastructure facilities and will use them in the Maintenance segment. These assets of RUB 3,767 million were transferred to property, plant and equipment from inventories (2020: RUB 794 million).

16 Intangible assets and goodwill

mln RUB	Client base	Goodwill	Concession	Design developments	Software	Other	Total
Cost / Deemed cost							
As at 1 January 2020	11,333	197	620	267	730	676	13,823
Acquisitions through business combinations	43	-	-	-	-	-	43
Additions	-	67	191	400	324	264	1,246
Disposals	(381)	-	-	-	(16)	(71)	(468)
Disposal of subsidiaries (see note 8)	-	-	-	-	-	(16)	(16)
As at 31 December 2020	**10,995**	**264**	**811**	**667**	**1,038**	**853**	**14,628**
Acquisitions through business combinations (see note 7(a))	101	514	-	-	-	-	615
Additions	-	61	161	1,613	469	314	2,618
Disposals	(634)	-	-	(180)	(78)	(57)	(949)
Disposals of subsidiaries (see note 8)	(43)	-	-	-	(4)	(60)	(107)
As at 31 December 2021	**10,419**	**839**	**972**	**2,100**	**1,425**	**1,050**	**16,805**

mln RUB	Client base	Goodwill	Concession	Design developments	Software	Other	Total
Accumulated amortisation and impairment losses							
As at 1 January 2020	-	-	(23)	-	(92)	(254)	(369)
Amortisation charge	-	-	(27)	(40)	(47)	(187)	(301)
Disposals	-	-	-	-	3	63	66
Disposals of subsidiaries (see note 8)	-	-	-	-	-	9	9
As at 31 December 2020	**-**	**-**	**(50)**	**(40)**	**(136)**	**(369)**	**(595)**
Amortisation charge	-	-	(36)	(149)	(154)	(217)	(556)
Disposals	-	-	-	1	39	57	97
Disposals of subsidiaries (see note 8)	-	-	-	-	-	21	21
As at 31 December 2021	**-**	**-**	**(86)**	**(188)**	**(251)**	**(508)**	**(1,033)**
Net book value							
As at 1 January 2020	**11,333**	**197**	**597**	**267**	**638**	**422**	**13,454**
As at 31 December 2020	**10,995**	264	761	627	902	484	**14,033**
As at 31 December 2021	**10,419**	**839**	**886**	**1,912**	**1,174**	**542**	**15,772**

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

The result of the impairment test for intangible assets is disclosed in Note 24 (d).

17 Investment property

Investment property consists of land plots with undetermined use located in the Moscow Region. In 2021 positive change in fair value of these land plots amounted to RUB 1,636 million (2020: positive change – RUB 480 million).

mln RUB	2021	2020
As at 1 January	6,880	6,626
Change in fair value	1,636	480
Disposals	(504)	(226)
As at 31 December	**8,012**	**6,880**

Measurement of fair value

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

To determine the fair value of land plots in 2021 and 2020 the Group applied a comparative approach based on an analysis of all available information on sales of similar properties, while adjustments were made to reflect differences between market analogue and the evaluated properties. Under this approach, current bids for land plots that are similar to those under valuation were analysed. Sales prices were adjusted for differences in characteristics between items under valuation and comparable land plots. The prices of similar properties were adjusted for bargaining, which resulted in a decrease in the price by 10% (2020: 11.5%); and adjustments for a location resulted in a change in price from -8% to 57% (2020: from -13% to 8%); adjustments for area resulted in a change in price from -36% up to 31% (2020: from -30% to 30%). As at 31 December 2021, the fair value of these land plots estimated using the comparative method was RUB 8,012 million (31 December 2020: RUB 6,880 million). The fair value measurement of investment property was classified as Level 3 of the fair value hierarchy based on input data or the valuation methods used and the level of adjustments applied to market equivalents.

Sensitivity analysis

A decrease by 5 percentage points in the base selling price for investment properties measured using the comparative method would result in a decrease in the fair value of investment property of RUB 401 million (31 December 2020: a decrease in the fair value of investment property by RUB 344 million). An increase in the selling price by 5 percentage points would have the opposite effect on the fair value of investment property of approximately the same value.

18 Inventories

mln RUB	31 December 2021	31 December 2020
Construction-in-progress intended for sale	382,814	261,315
Finished goods, goods for resale and other similar inventories	37,747	22,243
Raw materials and consumables	18,623	10,362
Right-of-use asset	13,985	13,070
	453,169	**306,990**
Impairment losses	(2,635)	(2,489)

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

In 2021 the Group purchased several land plots and right-of-use assets for future development in Moscow, Moscow region and other regions of Russia for the total amount of RUB 147,188 million mostly through the acquisition of control in companies that own these land plots. The Group also incurred costs associated with the purchase of land plots including changes to the terms of agreements, which were in force in the previous period, in the amount of RUB 18,741 million in relation to Group projects that are already under development. The companies had no other significant assets, liabilities and financial results as at the acquisition date. Therefore, the consideration paid by the Group for the acquisition of subsidiaries was accounted for as construction-in-progress intended for sale. The payment was partially made in cash with the remaining amount of RUB 14,325 million due within a year included in current accounts payable for the acquisition of land plots, and RUB 22,301 million due in more than one year, included in non-current accounts payable for acquisition of land plots.

Construction-in-progress in the amount of RUB 342,701 million relates to construction properties that will be completed more than 12 months after the reporting date (31 December 2020: RUB 213,716 million).

In 2021, the Group sold four development projects and three land plots ready for development to third-party developers, with a carrying value of RUB 30,129 million.

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

Movement of the provision for impairment of inventories (see note 24 (b))

mln RUB	Construction-in-progress intended for sale	Finished goods, goods for resale and other similar inventories	Raw materials and consumables	Total
As at 1 January 2021	**(677)**	**(1,463)**	**(349)**	**(2,489)**
Additional provision	-	(473)	(87)	**(560)**
Release of provision	122	310	-	**432**
Utilisation	-	62	15	**77**
Disposals of subsidiaries	(95)	-	-	**(95)**
As at 31 December 2021	**(650)**	**(1,564)**	**(421)**	**(2,635)**

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

19 Equity-accounted investees

Associates

In June and July 2021, the Group acquired an additional stake in a company engaged in the environmentally friendly disposal of waste electronic and electrical equipment.

In July 2021, the Group acquired an interest in a company engaged in the integrated production of climate and ventilation equipment.

The total consideration for these acquisitions amounted to RUB 511 million and was paid in 2021.

There were no material acquisitions of associates in 2020.

Joint ventures

In August 2021, the Group acquired a 50% stake in LLC Sigma Holding, the parent company of a group of developers with development projects at various stages of construction located in Moscow. The consideration amounted to RUB 45,000 million and was paid in August 2021.

The Group has joint control of the company.

The following table analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of these associates and joint ventures.

mln RUB	Joint venture	Associates	Total
Equity accounted investees as at 1 January 2021	**-**	**8**	**8**
Acquisition of equity-accounted investees	45,016	511	**45,527**
Share of profit/(loss) of equity-accounted investees, net of income tax	2,252	(30)	**2,222**
Elimination of unrealised gain on a sale to the joint venture for the period	(474)	-	**(474)**
Equity accounted investees as at 31 December 2021	**46,794**	**489**	**47,283**

The following table summarises the financial information of the joint venture as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in the joint venture.

mln RUB	**31 December 2021**
Percentage ownership interest, %	**50%**
Non-current assets	8,859
Property, plant and equipment	14
Other non-current assets	8,845
Current assets	242,621
Cash and cash equivalents	2,645
Other current assets	239,976
Total assets	251,480
Non-current liabilities	(93,764)
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions)	(86,369)
Other non-current liabilities	(7,395)
Current liabilities	(63,181)
Current liabilities (including current financial liabilities excluding trade and other payables and provisions	(27,972)
Other current liabilities	(35,209)
Total liabilities	(156,945)
Net assets	**94,535**
Group's share of net assets (%)	50%
Group's share of net assets	47,268
Elimination of unrealised gain on a sale to the joint venture for the period	(474)
Carrying amount of interest in joint venture	**46,794**

mln RUB	**2021**
Revenue	31,668
Operating expenses	(22,190)
Other expenses	(2,707)
Income tax expense	(2,267)
Profit and total comprehensive income (100%)	**4,504**
Group's share of profit and total comprehensive income	**2,252**

20 Other investments

mln RUB	31 December 2021	31 December 2020
Non-current		
Loans issued to third parties in RUB at fixed rates of 10.06-12.6%	2,928	-
Other investments	131	94
Bank deposits	-	124
	3,059	**218**
Impairment losses	(41)	(130)
Current		
Loans issued to third parties in RUB at fixed rates of 7.5%-12%	3,122	441
Banks deposits	129	-
Other investments	10	13
	3,261	**454**
Impairment losses	(344)	(130)

As at 31 December 2021 and 31 December 2020 other investments are recognised at amortised cost (see note 31(b)).

21 Accounts receivable, including contract assets

mln RUB	31 December 2021	31 December 2020
Non-current		
Trade receivables and contract assets for sale of real estate properties	282	-
Accounts receivable for disposal of subsidiaries	4,105	663
	4,387	**663**
Impairment losses on financial assets (see note 31(b))	-	(10)
Current		
Trade receivables and contract assets of Development and construction segment	170,608	92,618
Trade receivables of Maintenance segment and other services	12,083	12,690
Trade receivables in respect of other sales	4,956	2,344
Advances issued to suppliers and contractors under construction services contracts	36,726	8,627
Advances issued for acquisition of land plots/right-of-use assets, including acquisition of subsidiaries	21,253	10,390
Advances issued to other suppliers and contractors	9,323	7,721
Taxes receivable	16,132	4,231
Accounts receivable from the sale of interests in subsidiaries and associates	1,293	1,387
Other accounts receivable	6,422	5,333
	278,796	**145,341**
Impairment losses on financial assets (see note 31(b))	(4,513)	(3,133)
Impairment losses on non-financial assets (see note 24)	(1,164)	(1,503)

22 Leases

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

The change in the right-of-use asset during 2021 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2021	**13,070**	**1,715**	**334**	**90**	**15,209**
New contracts	8,798	639	4,701	178	14,316
Modifications of contracts	(6,036)	(607)	(4)	(5)	(6,652)
Accrued to cost of sales	(1,846)	(154)	(389)	(47)	(2,436)
Amortisation recognised in administrative expenses	-	(371)	-	-	(371)
Disposals of subsidiaries	(1)	(401)	(95)	(11)	(508)
As at 31 December 2021	**13,985**	**821**	**4,547**	**205**	**19,558**

The change in lease liabilities during 2021 is presented in the table below:

mln RUB	Land plots	Buildings and constructions	Equipment	Other	Total
As at 1 January 2021	**11,842**	**1,766**	**276**	**79**	**13,963**
New contracts	8,449	639	4,701	178	13,967
Modifications of contracts	(6,036)	(404)	(2)	(5)	(6,447)
Interest expenses on lease liabilities	954	111	140	10	1,215
Lease payments, including offsets	(4,706)	(729)	(676)	(66)	(6,177)
Disposals of subsidiaries	(5)	(460)	(114)	(12)	(591)
As at 31 December 2021	**10,498**	**923**	**4,325**	**184**	**15,930**

In 2021, the Group received a payment benefit for changing the type of permitted use of land plots, which was the main reason for modifications of lease agreements.

The change in the right-of-use asset during 2020 is presented in the table below:

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

The change in lease liabilities during 2020 is presented in the table below:

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

Lease costs with variable lease payments that are not accounted for as right-of-use assets and liabilities under IFRS 16 "Leases" in the consolidated statement of financial position were capitalised in construction-in-progress in the amount of RUB 3,272 million and included in current expenses for the period in the amount of RUB 289 million (2020: RUB 1,833 million and RUB 83 million respectively).

As at 31 December 2021, the Group estimates that the future lease costs with variable rates will approximately amount to RUB 21,537 million for the period 2022 to 2037 (31 December 2020: RUB 12,926 million). Future costs mainly consist of the cost of land plots leased for development.

Lease liability terms as at 31 December 2021 and 31 December 2020 are presented in the table below:

Discount rate, %	Lease term	Land plots	Property and plant	Equipment	Other	Total
As at 31 December 2020						
5.8% - 8.2%	2021	155	42	7	3	207
8.21% - 11%	2021	594	57	2	-	653
6% - 7.5%	2022	313	61	2	2	378
7.51% - 9.1%	2022	875	61	54	9	999
6% - 7.5%	2023	855	4	49	-	908
7.51% - 9.1%	2023	742	225	20	28	1,015
6.7% - 9.3%	2024	1,779	758	135	23	2,695
6.7% - 9.3%	2025	941	7	7	-	955
7.2% - 8.8%	2026	5,588	-	-	-	5,588
7.4% - 9.8%	2027 - 2030	-	490	-	8	498
10% - 11%	2033 - 2054	-	61	-	6	67
Total:		**11,842**	**1,766**	**276**	**79**	**13,963**
As at 31 December 2021						
6% - 9.9%	2022	4,347	254	16	20	4,637
6% - 8%	2023	-	25	35	13	73
8.1% - 10.1%	2023	447	36	23	13	519
6.7% - 8%	2024	574	26	401	23	1,024
8.1% - 10.1%	2024	19	196	3,737	115	4,067
7% - 10.1%	2025	368	20	82	-	470
7.5% - 10.1%	2026	2,027	258	4	-	2,289
7.4% - 8.3%	2027-2029	82	30	-	-	112
9%-10%	2027 - 2030	2,634	17	27	-	2,678
10% - 11.1%	2033 - 2054	-	61	-	-	61
Total:		**10,498**	**923**	**4,325**	**184**	**15,930**

23 Cash and cash equivalents

mln RUB	31 December 2021	31 December 2020
Cash on hand	2	1
Cash in banks	130,670	96,085
Restricted cash	528	441
Cash and cash equivalents	**131,200**	**96,527**

Cash balance on escrow accounts (for information purposes)

mln RUB	31 December 2021	31 December 2020
Escrow accounts	201,997	90,303

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

In 2021, cash receipts to escrow accounts amounted to RUB 191,538 million (2020: RUB 77,580 million).

In 2021, as the Group completed the construction of real estate properties, where apartments were sold using escrow accounts, according to the legislation, the Group became entitled to receive cash placed on escrow accounts in the amount of RUB 79,848 million, of which RUB 44,765 million was set off against the project finance liability, and RUB 1,669 million was used to pay the interest due under the project finance liability (2020: RUB 3,338 million, of which RUB 1,783 million was set off against the project finance liability, and RUB 51 million was used to pay the interest due under the project finance liability).

As at 31 December 2021, cash in the amount of RUB 43,440 million was placed on special bank accounts which operations are subject to special banking control (as at 31 December 2020: RUB 49,240 million) in accordance with the requirements of Federal Law No. 214- FZ.

The Group's exposure to interest rate risk and sensitivity analysis of financial assets and liabilities are disclosed in Note 31.

24 Impairment losses on non-financial assets

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

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

(a) Property, plant and equipment

The Group analysed property, plant and equipment for impairment as at 31 December 2021 and as at 31 December 2020 and did not identify any evidence of impairment at both reporting dates due to an increase in prices for properties in the construction of which the majority of the Group's PPEs are employed, and no operating losses in the Maintenance segment.

(b) Inventories

In most cases, the Group used the discounted cash flow method and engaged an independent appraiser to estimate the net realisable value of the Group's construction-in-progress as at the reporting dates. The coronavirus pandemic did not have a significant negative impact on the key assumptions used in calculating discounted cash flows (for example, contract volumes and average sales prices) due to government support measures for the construction industry, marketing campaigns, conducted by the Group and the Group's digital technologies backing online sales, including mortgage transactions. In 2020, due to the coronavirus pandemic, some projects' development schedules, including construction terms and sales pace, were adjusted, thus impacting cash flow forecasts for these projects

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

- Cash flows were projected for each individually significant project;
- The expected selling prices for the apartments were based on market prices effective in December 2021 and December 2020 for similar real estate;
- The final expected cost of construction was forecasted based on cost per square meter and construction pace in December 2021 and December 2020 for similar projects of the Group;
- Average pre-tax discount rates of 11.5-21.3% (2020: 7-16%) were applied to cash flows depending on the stage of the project and construction financing schemes.

Based on the results of impairment testing in 2021, impairment losses was charged in the amount of RUB 560 million and the provision was released in the amount of RUB 432 million (2020: the provision for impairment of inventories was charged in the amount of RUB 1,393 million and the provision was released in the amount of RUB 2,062 million). The provision in the amount of RUB 77 million was released as a result of the completion of construction projects or a sale of finished apartments (2020: RUB 943 million). Therefore, the net impairment loss included in cost of sales amounted to RUB 827 million (2020: RUB 380 million).

Sensitivity analysis

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

A reduction in the selling price by 5% would lead to additional impairment of construction-in-progress amounted to RUB 481 million as at 31 December 2021 (31 December 2020: RUB 570 million).

An increase in the discount rate by 1 percentage point would not lead to additional impairment of construction-in-progress as at 31 December 2021 (31 December 2020: RUB 140 million).

Starting from February 2022 economic conditions are deteriorating (see note 36) and the Group performed an additional sensitivity analysis as at 31 December 2021 subject to an increase in the discount rate, a decrease in sales prices and delay in projected cash flows.

A reduction in the selling price by 15% would lead to additional impairment of construction-in-progress amounted to RUB 7,211 million as at 31 December 2021.

An increase in the discount rate by 10 percentage points would lead to additional impairment of construction-in-progress amounted to RUB 382 million as at 31 December 2021.

A one-year's delay in projected cash flows would result in an additional impairment loss of RUB 359 million as at 31 December 2021.

(c) Advances issued

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

(d) Intangible assets and goodwill

The Group analysed intangible assets for impairment as at 31 December 2021 and as at 31 December 2020 and did not identify any evidence of impairment at both reporting dates. The current economic situation did not result in significant budget shortfalls in 2021 or in significant changes in the forecasts used in assessing the recoverability of client base and goodwill.

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

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

- The revenue forecast was based on the tariffs and service prices in 2021 and 2020, taking into account the growth of the consumer price index and the volume of serviced areas acquired and available at the date of assessment;
- The cash flow forecasting period was 5 years;
- The terminal growth rate of cash flows was 0.6% (2020: 1.6%);
- A post-tax discount rate of 16.7% was applied (2020: 15.3%);
- The applicable income tax rate equaled the statutory rate of 20%.

Sensitivity analysis

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

An increase/decrease by 1 percentage point in each of these assumptions individually would not result in an additional impairment of intangible assets as at 31 December 2021 and 31 December 2020.

Impairment testing results and write-offs

		31 December 2021		
mln RUB	**Note**	**Gross carrying value**	**Impairment/ write-off**	**Carrying value after impairment**
Property, plant and equipment	15	30,308	(519)	29,789
Intangible assets and goodwill	16	15,772	-	15,772
Inventories	18	455,804	(2,635)	453,169
Advances issued	21	68,466	(1,164)	67,302
Total		**570,350**	**(4,318)**	**566,032**

		31 December 2020		
mln RUB	**Note**	**Gross carrying value**	**Impairment/ write-off**	**Carrying value after impairment**
Property, plant and equipment	15	36,319	(773)	35,546
Intangible assets and goodwill	16	14,033	-	14,033
Inventories	18	309,479	(2,489)	306,990
Advances issued	21	28,241	(1,503)	26,738
Total		**388,072**	**(4,765)**	**383,307**

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

mln RUB	2021	2020
Impairment losses		
Inventories	-	(47)
Advances issued	(1,069)	(369)
	(1,069)	**(416)**
Reversal of impairment losses		
Advances issued	848	341
Inventories	-	1,071
	848	**1,412**
	(221)	**996**

In 2021, impairment losses relating to property, plant and equipment in the amount of RUB 254 million and advances issued in the amount of RUB 560 million were written off against the disposal of related assets (2020: RUB 78 million and RUB 42 million respectively).

25 Financial instruments measured at fair value through profit and loss

As at 31 December 2021, the Group's non-current assets include two cash-settled financial instruments:

- In June 2017 the Group entered into a transaction to sell its repurchased depositary receipts (GDRs) to one of the largest banks of the Russian Federation (the "Bank", information about the Bank is disclosed in Note 35). The GDRs were acquired by the Group on the open market in March 2017. Simultaneous to the transaction, the Group entered into a forward cash-settled financial instrument under which the Group will be paid by the Bank or pay to the Bank the difference between the market price of the GDRs as at the date the contract terminates and the initial delivery price of the GDRs.

  In December 2021, the Group partially settled this cash-settled financial instrument for the amount of RUB 22,244 million.

- In May 2018 the Group entered into a second contract for a cash-settled financial instrument with the same Bank. In this case, the Group did not repurchase its shares. Instead the Bank entered into forward transactions with final sellers to purchase the required number of shares. The financial instrument was not settled.

During the course of each contract the Group makes quarterly payments to the Bank, taking into account interim payments and dividends paid.

In accordance with this agreement, the transaction parties compensate the difference between the agreed share price and the market value of the Group's shares at the expiry date of the contract.

Both contracts can be extended every 6 months by either party.

In 2021, the change in the value of financial instruments carried at fair value is as follows:

mln RUB	Cash-settled financial instrument executed in June 2017	Cash-settled financial instrument executed in May 2018	Total
Fair value as at 1 January 2021	**15,977**	**18,401**	**34,378**
Quarterly interim payments	768	1,124	1,892
Change in fair value	23,655	30,516	54,171
Partial settlement	(22,244)	-	(22,244)
Fair value as at 31 December 2021	**18,156**	**50,041**	**68,197**

As at 31 December 2021, the estimated fair value of cash-settled financial instruments was determined based on the following key assumptions and contract terms:

	Cash-settled financial instrument executed in June 2017	Cash-settled financial instrument executed in May 2018
Number of shares in the agreement:	21 531 198	60 137 070
Share price used in the calculation:	1,079.57 RUB (as at 31 December 2020: 587.29 RUB)	
Quarterly interim payment interest rate:	key rate of Central Bank of the Russian Federation+2.2%	key rate of Central Bank of the Russian Federation+1.8%
Interim expiry date:	30 June 2022	30 June 2022
Maximum (terminal) contract prolongation term initiated by one of the parties:	every 6 months, but no later than 31 January 2023	
Risk-free rate:	8.71% (as at 31 December 2020: 4.23%)	8.65% (as at 31 December 2020: 4.20%)
Discount rate adjusted for credit risk:	9.31% (as at 31 December 2020: 4.73%)	9.05% (as at 31 December 2020: 4.59%)
Annual discount rate for interim payment:	11.49% (as at 31 December 2020: 6.36%)	11.51% (as at 31 December 2020: 6.4%)

Sensitivity analysis

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

- For cash-settled financial instruments executed in June 2017 by RUB 1,152 million (31 December 2020: by RUB 1,453 million);
- For cash-settled financial instruments executed in May 2018 by RUB 3,221 million (31 December 2020: by RUB 1,751 million).

As at 31 December 2021, a decrease in the forecast selling price by 30 percentage points would result in a decrease in the fair value of cash-settled financial instruments as follows:

- For cash-settled financial instruments executed in June 2017 by RUB 7,009 million;
- For cash-settled financial instruments executed in May 2018 by RUB 19,601 million.

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

26 Equity

(a) Dividends

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

Based on its financial results, the Group intends to distribute every six months at least 30% of its net income, determined in accordance with the Russian accounting standards, adjusted for non-cash income, including a significant financing component calculated on the basis of the Group's consolidated financial statements prepared under IFRS.

In May 2021, dividends of RUB 30,006 million (RUB 45.43 per share) were declared and approved. The declared dividends were paid in full in May 2021.

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

(b) Secondary public offering and repurchase of own shares

In September 2021, the Group entered into a securities loan agreement with a company affiliated with S.E. Gordeev and borrowed 49,990,198 of its own shares for the purpose of a public offering.

In October 2021, the Group sold 28,459,000 of the borrowed shares for RUB 1,275 per share with the related income of RUB 36,285 million recognised in equity. The remaining unplaced 21,531,198 borrowed shares were returned to the lender.

In December 2021, the Group purchased 28,459,000 of its own GDRs from the Bank for a consideration of RUB 28,971 million, converted them into ordinary shares and returned them to the lender. Interest accrued on the loan of securities and expenses related to the secondary public offering in the total amount of RUB 1,777 million were included in equity.

At the same time, the Group partially settled a cash-settled financial instrument under the agreement executed in June 2017 (see note 25).

As a result of this secondary public offering, the Group's income, net of placement costs and taxes recognised in equity, amounted to RUB 4,429 million.

Separate to the secondary public offering described above, in October 2021, the Group repurchased 596,173 of its own shares for a total consideration of RUB 758 million.

(c) Weighted average number of shares and earnings per share

The calculation of earnings per share is based on the profit for the reporting period and the weighted average number of ordinary shares outstanding during the reporting period, in the amount of 659 249 thousands shares (2020: 660 497 thousands shares). As at 1 January 2021 and 31 December 2021 the total number of Group issued shares comprising share capital did not change.

The Company has no dilutive potential ordinary shares.

The following is a reconciliation of the weighted average number of shares:

In thousands of shares	**2021**	**2020**
Issued shares at 1 January	660,497	660,497
The impact of transactions in the secondary public offering of existing shares	(1,115)	-
Repurchase of own shares	(133)	-
Weighted average number of shares for the year	**659,249**	**660,497**

(d) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

27 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 31.

mln RUB	31 December 2021	31 December 2020
Non-current		
Bonds, net of those purchased by the Group	69,792	36,739
Unsecured bank loans	-	4,473
Unsecured loans received	115	115
Project financing	288,758	146,597
Secured bank loans	5,958	6,216
Interest payable	5,775	3,189
	370,398	**197,329**
Current		
Bonds, net of those purchased by the Group	14,621	12,666
Unsecured loans received	520	103
Project financing	47,684	16,679
Secured bank loans	9,895	2,521
Interest payable	4,176	2,797
	76,896	**34,766**
	447,294	**232,095**

As at 31 December 2021 and 31 December 2020, bank loans and project financing were secured with:

- lease/ownership rights of land plots with a total area of 1,056 ha (as at 31 December 2020: 912 ha), with carrying amount of RUB 162,916 million (as at 31 December 2020: RUB 66,406 million);

- shares of/ interest in certain subsidiaries of the Group:

	Ownership interest	
	31 December 2021	**31 December 2020**
LLC PIK-Broker	100%	100%
CJSC Stroybusinesscenter	100%	100%
LLC Spetsialyzirovany Zastroyschik Tyron	99.999%	99.999%
JSC Spetsialyzirovany Zastroyschik Kuntsevo-Invest	100%	100%
JSC Spetsialyzirovany Zastroyschik Zelenogradsky (JSC Production and trade complex Zelenogradsky)	100%	100%
LLC Spetsialyzirovany Zastroyschik Legro	-	100%
JSC Spetsialyzirovany Zastroyschik Stolichny kompleks	100%	100%
JSC Port-City	100%	100%
JSC Spetsialyzirovany Zastroyschik LZSMIK	99.9999%	99.9999%
LLC Spetsialyzirovany Zastroyschik M.Stroy	-	100%
LLC Spetsialyzirovany Zastroyschik Volokolamskoye shosse 24	100%	100%
LLC Spetsialyzirovany Zastroyschik Bolshaya Ochakovskaya	100%	100%
LLC Sacramento-2	-	100%
JSC Spetsialyzirovany Zastroyschik Krasnokazarmennaya 15	99.028%	99.028%
JSC Spetsialyzirovany Zastroyschik Monetchik	99%	99%
LLC Archecom	-	100%
JSC Spetsialyzirovany Zastroyschik Volzhsky Park	100%	100%
LLC SZ GradOlymp	99.9%	99.9%
LLC Meridian	-	100%
LLC Ereda	100%	100%
LLC Coronella	100%	100%
LLC Galaktik Invest	-	100%
LLC Spetsialyzirovany Zastroyschik Solntsevo Park	100%	100%
LLC Spetsialyzirovany Zastroyschik Likhobory	100%	100%
LLC Ground	-	100%
JSC Spetsialyzirovany Zastroyschik Trial Service (JSC Trial Service)	100%	100%
JSC Spetsialyzirovany Zastroyschik Torgovy Dom Sputnik (JSC Torgovy Dom Sputnik)	100%	100%
LLC SZ Serednevo	100%	100%
JSC Spetsialyzirovany Zastroyschik Perovskoye	100%	100%
LLC Globus	100%	100%
LLC SZ Pik-Primorye	100%	100%
LLC Parasang systems	-	100%
LLC SZ Chasovaya	-	99.9%
LLC Spetsialyzirovany Zastroyschik Stroy-Expert	100%	100%
JSC Spetsialyzirovany Zastroyschik Novokhokhlovskaya 15	100%	100%
JSC Spetsialyzirovany Zastroyschik Presnensky Val 27	-	100%

	Ownership interest	
	31 December 2021	**31 December 2020**
LLC Spetsialyzirovany Zastroyschik Kantemirovskaya	100%	100%
LLC Lotan	100%	100%
O.P.H.L. Openprospect Holdings Limited	100%	100%
D.H. PRIVATE INVEST TECHNOLOGY LIMITED	100%	100%
LLC Spetsialyzirovany Zastroyschik Faramant	100%	-
LLC Spetsialyzirovany Zastroyschik InvestAlliance	100%	-
LLC Spetsialyzirovany Zastroyschik Ozernaya 44	100%	-
LLC Borets	99.9%	-
LLC RIVIERA PARK	99.9%	-
LLC Megapolis	100%	-
LLC RegionInvest	100%	-
JSC Galaktion	100%	-
JSC ATOL Company	100%	-
JSC Spetsialyzirovany Zastroyschik PIK-Region	100%	-
LLC L-Holding	100%	-
JSC 2d Irtyshsky	99.08%	-
LLC L-Development	100%	-
LLC Astreid Group	100%	-
LLC Spetsialyzirovany Zastroyschik Ekstragrad	100%	-
LLC Spetsialyzirovany Zastroyschik Stolitsa	100%	-
LLC Spetsialyzirovany Zastroyschik Simonovskaya Naberezhnaya	100%	-
LLC Almadin	100%	-
LLC Pegas	100%	-
LLC Spetsialyzirovany Zastroyschik CentrPolis	100%	-
JSC Spetsialyzirovany Zastroyschik Sokolnicheskij Val	97.5188%	-
LLC Spetsialyzirovany Zastroyschik Spektr	100%	-
JSC Spetsialyzirovany Zastroyschik Altyn	100%	-
LLC Spetsialyzirovany Zastroyschik EkoStroj	100%	-
LLC Spetsialyzirovany Zastroyschik PIK-Sahalin	100%	-
LLC Art-Stroj	100%	-
LLC Spetsialyzirovany Zastroyschik MT-Development	100%	-
LLC YUstina	100%	-
JSC Kompaniya GrandPro	100%	-
LLC Orion	100%	-
LLC Mel	100%	-
LLC Spetsialyzirovany Zastroyschik Avangard	100%	-
LLC Spetsialyzirovany Zastroyschik Ligovskij siti	100%	-
LLC Spetsialyzirovany Zastroyschik PIK-Ural	100%	-
LLC Spetsialyzirovany Zastroyschik PIK-Tura	100%	-
LLC Tekhnologicheskie investicii	100%	-
LLC Spetsialyzirovany Zastroyschik Perspektivnye investicii	100%	-

Early repayment of an unsecured bank loan

In December 2021, the Group made a full early repayment of an unsecured bank loan in the amount of RUB 4,500 million.

Issue and redemption of bonds

In June 2021, the Group repaid previously placed bonds with a coupon rate of 8.7% in the amount of RUB 3,270 million and bonds with a coupon rate of +1.45% above the key rate of the Central Bank of the Russian Federation in the amount of RUB 6,000 million.

In July 2021, the Group placed bonds in the amount of RUB 10,000 million with a maturity date of 30 June 2023. The coupon rate was set at 8.2% with coupon payments payable once a quarter.

In November 2021, the Group placed Eurobonds in the amount of USD 525 million with a maturity date of 19 November 2026. The coupon rate was set at 5.625% with coupon payments payable every six months.

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

The fair value of the bonds is disclosed in note 31 (e).

The terms of financial liabilities as at 31 December 2021 did not significantly change compared to those disclosed as at 31 December 2020 in the consolidated financial statements for 2020, except for new loans and borrowings as indicated below.

				31 December 2021		**31 December 2020**	
mln RUB	**Currency**	**Nominal rate, %**	**Maturity**	**Nominal value**	**Carrying value**	**Nominal value**	**Carrying value**
Project financing	RUB	Between 7% and +3.5% above the key interest rate of the Central Bank of the Russian Federation	2022-2028	119,664	119,485	77,699	77,677
Project financing	RUB	Between +3.75% above the key interest rate and +4% above the key interest rate of the Central Bank of the Russian Federation	2022	-	-	7,952	7,943
Project financing	RUB	Variable interest rate*	2023-2032	224,198	216,957	79,490	77,656
Secured bank loans	RUB	Between +1.95% above the key interest rate and +2.7% above the key interest rate of the Central Bank of the Russian Federation	2022-2029	15,880	15,853	8,737	8,737
Unsecured bank loans	RUB	+3.5% above the key interest rate of the Central Bank of the Russian Federation	2022	-	-	4,500	4,473
Unsecured loans received	RUB	5%-10.5%	2022-2023	635	635	218	218
Eurobonds	USD	5.625%	2026	39,004	38,499	-	-
Bonds	RUB	7.4%-11.25%	2022-2024	35,952	35,838	32,990	32,886
Bonds	RUB	+0.5% above the key interest rate of the Central Bank of the Russian Federation	2028	7,000	6,999	7,000	7,000
Bonds	RUB	Between +1.4% above the key interest rate and +1.5% above the key interest rate of the Central Bank of the Russian Federation	2022-2023	3,077	3,077	9,635	9,519
				445,410	**437,343**	**228,221**	**226,109**

* variable effective rates are calculated by applying base rates to funds not covered by cash on escrow accounts. These rates range from +1.6% above the key interest rate where interest is capitalised up to a rate of +3.84% above the key interest rate where interest is paid in advance of releasing funds from escrow accounts (as at 31 December 2020: variable effective rates are calculated by applying base rates to funds not covered by cash on escrow accounts. These rates range from +1.6% above the key interest rate where interest is capitalised up to a rate of 9.9% where interest is paid in advance of releasing funds from escrow accounts), and adjusted depending on cash balances placed by customers on the escrow accounts. Rates on loans fully covered by cash on escrow accounts are subject to preferential rates and additional discounts, as a result of which the rate may be reduced to 0.01%.

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

	Liabilities			Assets	Equity			
mln RUB	**Bonds, net of those purchased by the Group**	**Loans and borrowings**	**Lease liabilities**	**Financial instruments measured at fair value through profit and loss**	**Non-controlling interests**	**Additional paid-in-capital and treasury shares***	**Dividends**	**Total**
As at 1 January 2021	**50,053**	**182,042**	**13,963**	**(34,378)**	**2,143**	**(8,470)**	**-**	**205,353**
Proceeds	48,116	406,077	-	22,244	-	36,285	-	512,722
Payments	(13,609)	(174,133)	(4,934)	(1,892)	(130)	(31,506)	(30,061)	(256,265)
Net cash from financing activities	**34,507**	**231,944**	**(4,934)**	**20,352**	**(130)**	**4,779**	**(30,061)**	**256,457**
Interest accrued	4,211	26,293	1,215	-	-	-	-	31,719
Interest paid	(4,315)	(14,359)	(1,215)	-	-	-	-	(19,889)
New lease contracts	-	-	13,967	-	-	-	-	13,967
Lease modifications	-	-	(6,447)	-	-	-	-	(6,447)
Revaluation of cash-settled financial instruments	-	-	-	(54,171)	-	-	-	(54,171)
Accrual of dividends	-	-	-	-	-	-	30,070	30,070
Settlement of project finance liabilities from escrow accounts	-	(46,434)	-	-	-	-	-	(46,434)
Other changes	755	266	(619)	-	539	(1,108)	(9)	(176)
Reclassification to accounts payable	-	(6,000)	-	-	-	-	-	(6,000)
Recognition of savings on interest expense on project finance involving escrow accounts	-	(11,669)	-	-	-	-	-	(11,669)
Acquisition of non-controlling interests without change in control, net of cash paid	-	-	-	-	869	-	-	869
As at 31 December 2021	**85,211**	**362,083**	**15,930**	**(68,197)**	**3,421**	**(4,799)**	**-**	**393,649**

* The result from trading own shares is included in additional paid-in-capital.

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

28 Non-controlling interests

The following is a summary of movements in equity attributable to non-controlling interests in subsidiaries of the Company:

mln RUB	Developers	Internet provider	Manufacturer of smart home systems	Other	Total
As at 1 January 2021	1,194	613	170	166	2,143
Profit/(loss) for the period	794	(172)	(9)	126	739
Acquisition of subsidiaries with non-controlling interests	700	-	-	39	739
Disposal of subsidiaries with non-controlling interests	-	-	-	(5)	(5)
Other changes	-	-	-	(195)	(195)
As at 31 December 2021	**2,688**	**441**	**161**	**131**	**3,421**

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

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

mln RUB	Developers	Internet provider	Manufacturer of smart home systems	Other	Total
As at 31 December 2021					
Non-current assets	190	1,238	245	15,721	17,394
Current assets	14,029	1,692	398	36,043	52,162
Non-current liabilities	1,438	75	68	6,224	7,805
Current liabilities	5,138	2,116	50	26,045	33,349
Net assets	**7,643**	**739**	**525**	**19,495**	**28,402**
Carrying amount of non-controlling interests	2,688	441	161	131	3,421
Revenue	7,456	1,479	192	55,536	64,663
Profit/(loss)	2,359	(322)	(24)	5,845	7,858
Total comprehensive income/(loss)	**2,359**	**(322)**	**(24)**	**5,845**	**7,858**
Profit/(loss) attributable to non-controlling interests	794	(172)	(9)	126	739

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

29 Provisions

mln RUB	Provision for costs to complete	Provision for onerous contracts	Tax provision	Provision for litigation	Provision for warranty obligations	Total
As at 1 January 2021	**24,717**	**353**	**414**	**1,607**	**403**	**27,494**
Additional provisions	18,255	3,383	-	1,320	208	23,166
Release of provisions	(1,002)	(617)	(414)	(292)	-	(2,325)
Utilisation	(7,437)	(2,235)	-	(725)	(51)	(10,448)
Disposal through disposal of subsidiaries	(502)	(15)	-	(1)	-	(518)
As at 31 December 2021	**34,031**	**869**	**-**	**1,909**	**560**	**37,369**

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

In calculation of provisions, the Group used assumptions, which are subject to uncertainty and judgement. In preparing these consolidated financial statements, the assumptions used to calculate provisions did not differ significantly from those used in preparing the consolidated financial statements as at and for the year ended 31 December 2020.

Provision for costs to complete

The provision for costs to complete represents an estimate of the future amounts the Group expects to spend to construct social and cultural facilities and infrastructure not to be transferred into joint ownership and to complete the acquisition of all land plots for a project. The provision was calculated and recognised based on the prevailing average purchase prices for materials and subcontracting work in the fourth quarter of 2021, and the completion dates of projects or certain phases from 1 to 3 years. Estimated costs can be revised subsequently as a result of changes in urban development standards and regulations, which determine main project parameters, construction materials and labour price fluctuations, and inflation rate.

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

In addition, the provision for costs to complete includes an estimated cost of completing the acquisition of land on projects where sales of real estate properties have already been in the amount of RUB 6,675 million as at 31 December 2021 (31 December 2020: RUB 4,141 million). According to the terms of acquisition of land plots in these projects, the acquisition is carried out gradually, and the transaction price is subject for amendments by additional agreements in the future. Provision for the cost to purchase the land plots included in the cost of sales was recognised based on the percentage of completion of houses already under construction and on sale.

The Group develops some projects where land plots were leased or acquired under the condition to transfer some real estate properties to customers defrauded by third-party developers. The Group recognised a provision for this obligation in the amount of expected costs to construct real estate properties for defrauded customers within three years. As at 31 December 2021, the provision was included in the provision for costs to complete.

In 2021, the effect of discounting costs to complete recognised in the cost of sales amounted to RUB 4,436 million (2020: RUB 397 million).

Tax provision

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

In 2021, the provision related to income tax risks identified in previous periods was released due to the completion of the on-site tax inspection for that period in the amount of RUB 414 million (2020: RUB 1,458 million).

In 2020 an additional provision for income tax was accrued in the amount of RUB 330 million. In 2021, there was no additional accrual of the tax provision.

As at 31 December 2021, there is no outstanding tax provision.

Provision for litigation

The Group is involved as a defendant in litigation relating to contracts with customers to supply properties and agreements to purchase construction materials and services. As at 31 December 2021, the Group estimated that it was probable that a resource outflow would be necessary in the amount of RUB 1,909 million (31 December 2020: RUB 1,607 million).

Provision for warranty obligations

According to the current Russian legislation, the Group commits to the quality of completed buildings. The amount of the warranty claims for previous periods was insignificant. Since construction volumes have increased, the estimated warranty obligations increased accordingly and amounted to RUB 560 million at 31 December 2021 (31 December 2020: RUB 403 million).

30 Accounts payable, including contract liabilities

mln RUB	31 December 2021	31 December 2020
Non-current		
Accounts payable for acquisition of land plots	32,302	6,563
Accounts payable under construction contracts	459	433
Other advances received	344	449
Other liabilities	24	5
	33,129	**7,450**
Current		
Liabilities and advances received under contracts with customers of the Development and construction segment	94,489	77,506
Liabilities under contracts with customers of real estate properties in acquisition of land plots	5,055	6,889
Advances received under contracts for the sale of land plots available for the development	14,000	-
Other advances received	8,245	8,091
Accounts payable for construction works and other trade payables	20,628	15,357
Trade payables of Maintenance segment	9,155	10,952
Accounts payable for acquisition of land plots	19,251	5,194
Payables to employees	9,996	6,183
Other taxes payable	20,013	9,447
Accounts payable to owners of non-controlling interests	1,838	687
Other accounts payable	17,970	4,957
	220,640	**145,263**

Information on the Group's exposure to foreign exchange risk and liquidity risk in terms of other trade payables is disclosed in note 31.

31 Financial instruments

The carrying value of financial assets and liabilities (see note 31 (e)) and the corresponding levels of the fair value hierarchy are presented below.

mln RUB	Note	31 December 2021	31 December 2020
Level 1			
Financial assets:			
Financial instruments measured at fair value through profit or loss	25	68,197	34,378
Financial liabilities:			
Unsecured bonds	27	(85,211)	(50,053)
Level 3			
Assets:			
Cash and cash equivalents	23	131,200	96,527
Trade and other receivables	21	199,749	115,035
Loans issued, bank deposits accounted for in other investments and equity accounted investees	19,20	53,603	680
Liabilities:			
Loans and borrowings	27	(362,083)	(182,042)
Long-term lease liabilities	22	(15,930)	(13,963)
Trade and other payables	30	(99,789)	(43,461)
		(110,264)	**(42,899)**

(a) Overview

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

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

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

Risk management framework

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

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

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

(b) Credit risk

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

(i) Sale of apartments to individuals

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

(ii) Accounts receivable from legal entities

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

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

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

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

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

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

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

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

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

(iv) Guarantees

Generally, the Group issues guarantees only for the obligations of its subsidiaries, except for certain construction service contractors and suppliers for whom the Group issued sureties. As at 31 December 2021 and 31 December 2020 the amount of such sureties did not exceed RUB 1 000 million. In addition, in 2021 the Group issued a surety with respect to a bank guarantee to secure liabilities of the Group's joint venture. As at 31 December 2021, this surety was limited to RUB 2,223 million.

Exposure to credit risk

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

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

mln RUB	31 December 2021	31 December 2020
Loans issued and bank deposits recorded in other investments	6,320	672
Accounts receivable, including contract assets	199,749	115,035
Cash and cash equivalents	131,200	96,527
	337,269	**212,234**

Impairment losses

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

mln RUB	Other investments	Accounts receivable	Total
Impairment loss provision as at 1 January 2021	**260**	**3,143**	**3,403**
Amount used	(17)	(152)	(169)
Accruals	238	2,589	2,827
Releases	(97)	(944)	(1,041)
Disposal	1	(123)	(122)
Impairment loss provision as at 31 December 2021	**385**	**4,513**	**4,898**

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

The Group continuously reviews the quality and balances of accounts receivable and takes preventive measures to mitigate risks, such as stricter requirements for the selection of contractors, termination of contracts with contractors with a low internal credit rating, and revision of the terms of advance payments for contract work.

(v) Accounts receivable, including contract assets

mln RUB Internal credit rating of the Group	**Gross carrying amount as at 31 December 2021**	**Impairment loss as at 31 December 2021**	**Gross carrying amount as at 31 December 2020**	**Impairment loss as at 31 December 2020**
High	170,404	(9)	86,276	(11)
Above-medium	13,502	(280)	14,235	(226)
Medium	8,278	(604)	6,096	(342)
Below-medium	107	(25)	731	(147)
Low	7	(3)	87	(50)
Default	1,921	(1,722)	972	(655)
Total	**194,219**	**(2,643)**	**108,397**	**(1,431)**

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

The Group assigns the following rating categories to counterparties:

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

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

(vi) Accounts receivable of customers of housing and utility services

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

mln RUB Overdue debt	Weighted average loss rate	Gross carrying amount as at 31 December 2021	Impairment loss as at 31 December 2021	Gross carrying amount as at 31 December 2020	Impairment loss as at 31 December 2020
0-30 days	9.74%	2,937	(286)	1,989	(202)
31-90 days	9.79%	797	(78)	1,040	(105)
91-180 days	9.69%	588	(57)	1,009	(102)
181-360 days	9.75%	995	(97)	1,271	(129)
1-3 years	24.93%	2,495	(622)	2,489	(596)
more than 3 years	32.72%	2,231	(730)	1,901	(578)
Total		**10,043**	**(1,870)**	**9,699**	**(1,712)**

(vii) Other investments

mln RUB Internal credit rating of the Group	Gross carrying amount as at 31 December 2021	Impairment loss as at 31 December 2021	Gross carrying amount as at 31 December 2020	Impairment loss as at 31 December 2020
High	3,065	(1)	164	(5)
Above-medium	2,982	(31)	127	(3)
Medium	224	(41)	494	(109)
Below-medium	15	(2)	2	-
Low	229	(120)	-	-
Default	190	(190)	145	(143)
Total	**6,705**	**(385)**	**932**	**(260)**

(viii) Cash and cash equivalents

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

(c) Liquidity risk

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

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

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

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

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

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

The amount of revenue recognised under contracts with customers using escrow accounts in 2021 amounted to RUB 150,005 million (2020: RUB 58,960 million).

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

Covenant compliance risk

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

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

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

31 December 2021		**Contractual cash flows**						
mln RUB	**Carrying value**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-5 yrs**	**5-10 yrs**	**Total**
Bank loans	352,295	46,430	11,199	40,258	113,939	98,280	49,636	359,742
Bonds	84,413	4,010	10,639	20,880	3,500	39,004	7,000	85,033
Loans	635	520	-	115	-	-	-	635
Interest payable	9,951	13,372	7,767	13,384	25,616	31,836	12,311	104,286
Trade and other accounts payable	131,636	91,826	3,356	6,970	10,938	24,818	5,544	143,452
Lease liabilities	15,930	4,691	3,540	3,834	3,252	2,313	758	18,388
Financial instruments measured at fair value through profit and loss	(68,197)	1,291	-	-	-	-	-	1,291
	526,663	**162,140**	**36,501**	**85,441**	**157,245**	**196,251**	**75,249**	**712,827**

31 December 2020		**Contractual cash flows**						
mln RUB	**Carrying value**	**0-6 mths**	**6-12 mths**	**1-2 yrs**	**2-3 yrs**	**3-5 yrs**	**5-10 yrs**	**Total**
Bank loans	176,486	6,987	12,229	84,078	35,838	34,841	4,406	178,379
Bonds	49,405	11,040	1,770	15,335	10,979	3,500	7,000	49,624
Loans	218	70	33	-	115	-	-	218
Interest payable	5,986	6,644	4,406	11,358	3,848	5,149	1,254	32,659
Trade and other accounts payable	59,778	51,922	1,669	2,876	1,040	2,595	1,447	61,549
Lease liabilities	13,963	2,180	2,580	4,173	2,913	3,584	1,380	16,810
Financial instruments measured at fair value through profit and loss	(34,378)	1,044	-	-	-	-	-	1,044
	271,458	**79,887**	**22,687**	**117,820**	**54,733**	**49,669**	**15,487**	**340,283**

(d) Market risk

Market risk is the risk that changes in market prices, in particular foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments (sensitivity analysis for financial instruments measured at fair value through profit and loss is presented in note 25).The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

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

(i) Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group entities. The functional currencies of Group companies are primarily the Russian Rouble (RUB), but also Euro (EUR), U.S. Dollars (USD) and Philippine Peso (PHP). These transactions are primarily denominated in USD and PHP.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily in RUB, but also in foreign currencies (EUR, USD and PHP). In addition, interest on borrowings is denominated in the currency of the respective loan. The availability of and growth in cash flows in foreign currencies (Philippine pesos), as well as planned future flows in other foreign currencies provides an economic hedge without the need to additionally enter into derivatives contracts.

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

In November 2021, the Group placed USD Eurobonds amounting to USD 525 million (see note 27). The impact on the level of currency risk of transactions denominated in other foreign currencies is insignificant.

Exposure to currency risk

The RUB to the USD exchange rate as at 31 December 2021 and 31 December 2020 was 74.29 and 73.88 respectively.

Sensitivity analysis

A 30% depreciation of the RUB against the USD as at 31 December 2021 would have decreased equity and profit for the year by RUB 11,701 million before tax. The analysis was performed on the same basis for 2020 with insignificant impact on equity and profit.

The analysis assumed that all other variables, including interest rates, remain constant. A 30% strengthening of the rouble against the US dollar as at 31 December 2021 would have had the opposite effect if the above numbers were maintained, assuming all other variables remain constant.

The analysis was performed on the same basis for 2020 to test the exposure to changes in the exchange rate of the RUB against the USD. The sensitivity analysis to changes in the RUB to the USD exchange rate had no significant impact on changes in equity and profit for the period.

(ii) Interest rate risk

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

Risk profile

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

mln RUB	Note	31 December 2021	31 December 2020
Variable rate financial assets		**68,197**	**34,378**
Financial instruments carried at fair value through the profit and loss	25	68,197	34,378
Fixed rate financial assets		**28,688**	**23,967**
Bank deposits recorded in cash and cash equivalents		18,122	22,739
Long-term receivables	21	4,387	663
Loans issued and bank deposits recorded in other investments	20	6,179	565
Variable rate financial liabilities		**(362,371)**	**(189,607)**
Loans and borrowings	27	(362,371)	(189,607)
Fixed rate financial liabilities		**(127,937)**	**(59,721)**
Accounts payable for land acquisition		(37,035)	(9,256)
Loans and borrowings	27	(74,972)	(36,502)
Long-term lease liabilities	22	(15,930)	(13,963)
		(393,423)	**(190,983)**

Fair value sensitivity analysis for fixed rate instruments

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

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

As at 31 December 2021, a change in interest rates by 1 percentage point would result in an increase (a decrease) of interest expenses before capitalisation in inventories by RUB 1,632 million (31 December 2020: RUB 1,456 million).

As at 31 December 2021, the effect of a change in interest rates by 5% on the amount of interest expenses before capitalisation in inventories was additionally calculated. As at 31 December 2021, a change in interest rates by 5 percentage points would result in an increase (a decrease) of interest expenses before capitalisation in inventories by RUB 8,162 million.

(e) Fair values and carrying amounts

As at 31 December 2021 and 31 December 2020, the carrying amounts of the Group's financial assets and liabilities did not differ significantly from their fair values, except for bonds. As at 31 December 2021 the fair value of bonds, net of those purchased by the Group, exceeded their carrying amount by RUB 117 million (31 December 2020: RUB 1,654 million).

(f) Capital management

The Group's policy is to keep a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the capital structure, in particular the net debt to adjusted EBITDA ratio.

The calculation of net debt and adjusted EBITDA is disclosed in note 40.

32 Contingencies

(a) Insurance

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

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

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

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

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

(b) Litigation

The Group is a defendant in a number of litigations. According to management, it is probable that the claims will be successfully challenged and that the Group will not incur significant losses in addition to those already recognised in the provisions for litigation (see note 29).

(c) Taxation contingencies

The taxation system

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

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

The current transfer pricing legislation requires a price analysis of certain transactions between the Group's companies, as well as significant transactions between the Group's companies in the domestic market. Since 2019, transfer pricing control has been generally applied to transactions in the domestic market if two conditions are met simultaneously: the parties apply different income tax rates and the annual value of transactions between the parties exceeds RUB 1 billion. The number of such operations in 2021 and 2020 was insignificant.

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

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

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

33 Significant subsidiaries

As at 31 December 2021, the Group controlled 393 legal entities (31 December 2020: 336 legal entities). Their assets, liabilities, revenues and expenses are included in these consolidated financial statements. The significant subsidiaries include 117 real estate developers (31 December 2020: 86 real estate developers) in which the Group does not have a significant non-controlling interests, except for a real estate developer implementing a project in the Moscow Region in which the Group holds a 50.01% interest, as well as those listed in the table below:

		Effective ownership		**Voting rights**	
	Country of incorporation	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
JSC PIK-Industry	Russia	99%	99%	99%	99%
LLC GP-MFS	Russia	100%	100%	100%	100%
LLC GLOBALSTROYTECH	Russia	100%	100%	100%	100%
LLC PIK-Comfort	Russia	100%	100%	100%	100%
LLC PIK-Corporation	Russia	100%	100%	100%	100%
LLC PIK-Investproekt	Russia	100%	100%	100%	100%
LLC Inzhstroy-Innovatsii	Russia	70%	70%	70%	70%
LLC UK Kvarta	Russia	100%	-	100%	-
LLC Lovitel	Russia	50%	50%	50%	50%
LLC PIK-Modul	Russia	100%	100%	100%	100%
JSC MEL	Russia	99%	99%	99%	99%
LLC PIK-Profil	Russia	100%	100%	100%	100%
HRDP Group Corporation	Philippines	100%	-	100%	-

34 Related party transactions

(a) Control relationships

As at 31 December 2021 and 31 December 2020 there were no immediate or ultimate parent companies.

As at 31 December 2021, the Company is ultimately controlled by Mr. Sergey E. Gordeev.

(b) Management remuneration

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

mln RUB	2021	2020
Salary and bonuses	2,521	1,043
Insurance premium	405	201
Total	**2,926**	**1,244**

(c) Joint venture’s balances

mln RUB	31 December 2021
Right-of-use assets	31
Advances issued for construction services and acquisition of land plots and subsidiaries	1
Trade accounts receivable of the Development and construction segment and other accounts receivable	4,096
Liabilities and advances received under contracts with customers of the Development and construction segment	(5,697)
Other accounts payable	(6,043)
Interest payable on loans received	(92)
Liabilities from long-term lease contracts	(51)
Total	**(7,755)**

(d) Transactions with the joint venture

mln RUB	2021
Segments’ revenue	
Revenue from construction services recognised over time	16,734
Other activities	10
Segments’ costs	
Other activities	(14)
Interest expense before capitalisation	(214)
Total	**16,516**

In 2021, the Group received from the joint venture a guarantee payment under a land sale and purchase agreement in the amount of RUB 6,005 million included in other payables.

In 2021 the Group issued a surety with respect to a bank guarantee to secure liabilities of the Group’s joint venture. As at 31 December 2021 this surety was limited to RUB 2,223 million.

(e) Other related parties' balances

mln RUB	31 December 2021	31 December 2020
Advances issued to suppliers and contractors under construction services contracts and to other suppliers and contractors	1,175	1,817
Loans issued to third parties in RUB at a fixed rate of 8%	1,286	17
Trade accounts receivable of the Development and construction segment and other accounts receivable	90	13
Other advances received	(62)	-
Accounts payable for construction works and other trade payables	(181)	-
Other accounts payable	-	(69)
Total	**2,308**	**1,778**

(f) Transactions with other related parties

mln RUB	2021	2020
Contribution to the share capital of an associate, excluding retained earnings for the reporting period	(511)	(300)
Purchase of non-controlling interests	-	(250)
Advances issued for the acquisition of land plots/right-of-use asset, including acquisition of subsidiaries	-	(1,560)
Advances issued to suppliers and contractors under construction services contracts and to other suppliers and contractors	(2,149)	(241)
Purchases of commodities and services	(1,191)	
Loans issued to third parties in RUB at a fixed rate of 8%	(1,286)	-
Total	**(5,137)**	**(2,351)**

(g) Other transactions with other related parties

In 2021, executive directors of the Company purchased residential apartments in incomplete buildings for the total amount of RUB 57 million and RUB 19 million in completed buildings (2020: RUB 10 million in uncompleted buildings).

In 2021, the ultimate controlling shareholder of the Group issued a guarantee under one of the Group's construction contracts, according to which the Group is responsible for the fulfilment of all current and future contractual obligations. As at 31 December 2021, there were no outstanding contractual obligations under this contract.

35 Transactions with the Government

(a) Control relationships

In 2021 and 2020 one of the largest Russian banks ("the Bank") was a shareholder of more than 20% of the Group's ordinary shares. At the same time, the Bank did not participate in the decision-making process by having representatives on the Board of Directors of the Company.

In December 2021, the Group repurchased its own shares from the Bank (see note 26), whereupon the Bank's share in the Group's equity decreased. As at 31 December 2021, the Bank owns less than 20% of ordinary shares and therefore is not a related party of the Group anymore.

Significant transactions with the Bank are provided below.

Balances with the Bank

mln RUB	31 December 2020
Financial instruments measured at fair value	34,378
Advances issued	37
Cash in banks	66,956
Loans and borrowings	(125,452)
Interest payable	(3,576)
Total	**(27,657)**

Transactions with the Bank and the Bank’s affiliates

mln RUB	2021	2020
Acquisition of land	-	165
Revaluation of cash-settled financial instruments	54,171	21,840
Interest income	88	97
Interest expense before capitalisation	(12,756)	(6,011)
Other revenue	75	-
Commercial expenses	-	(639)
Quarterly interim payments under cash-settled financial instruments	(1,892)	(2,161)
Other finance costs	(56)	(7)
Total	**39,630**	**13,284**

As at 31 December 2020, parties to share participation agreements placed RUB 69,676 million to escrow accounts with the Bank.

During 2021, the Group received project financing from the Bank of RUB 177,643 million at rates of between +2% and +2.89% above the key interest rate of the Central Bank of the Russian Federation and repaid debt related to project financing of RUB 115,148 million at rates of between +2% and +2.89% above the key interest rate of the Central Bank of the Russian Federation (2020: received project financing of RUB 71,437 million at rates of between +2% and +3.17% above the key interest rate of the Central Bank of the Russian Federation and repaid debt related to project financing of RUB 3,878 million at rates of +2% above the key interest rate of the Central Bank of the Russian Federation).

The key terms for financial instruments are disclosed in notes 25 and 27.

(b) Transactions with the Government

In addition, in 2021 and 2020 the Group conducted transactions with several entities under control or joint control of the Russian Federation. The Group applies an exemption provided by IAS 24 “Related Party Disclosures”, which allows the disclosure of transactions with entities related to the Government in a simplified manner.

The Group conducts operations with enterprises related to Government, which are part of ordinary activities and are carried out on conditions comparable to the terms of activities with enterprises not related to Government. Such operations include, but are not limited to, providing construction, design, general contractor’s and technical supervision services, the lease of land for development projects, purchasing the construction services, and contributions to the fund for the protection of the rights of citizens participating in shared construction projects. Those transactions that exceeded RUB 1,000 million in 2021, according to management estimates, amounted to at least 32.23% of the revenues from sale of construction services and about 0.29% of the costs for construction of real estate properties (2020: 53.57% and 0.5% respectively). As at 31 December 2020, outstanding balances with government-related enterprises do not exceed RUB 29,039 million of assets and RUB 60,764 million of liabilities of the Group.

As at 31 December 2020, parties to share participation agreements placed RUB 12,404 million to escrow accounts with banks associated with the government.

In 2021, the Group received loan financing from banks associated with the government in the amount of RUB 131,511 million (2020: RUB 25,777 million), other expenses charged by these banks amounted to RUB 414 million.

36 Subsequent events

In February 2022, following the recognition of self-proclaimed republics of Donetsk and Luhansk and the commencement of military operations in Ukraine by the Russian Federation, additional sanctions were introduced by the United States of America, the European Union and some other countries against Russia. Moreover, there is an increased risk that even further sanctions may be introduced. This may have a significant adverse impact on Russia's economy. As a result western countries imposed additional sanctions to isolate Russian economy and the financial market and significantly increased the level of economic uncertainty in the Russian business environment.

As at the date of approval of the consolidated financial statements, the Group has performed additional analysis in relation to the main financial and operational risks presented below

Financial risks

- The majority of the Group's operations, assets and liabilities are primarily denominated in Russian rubles. The Group's exposure to foreign exchange risk is disclosed in more detail in note 31.
- The Group obtains project financing and is exposed to significant interest rate risk. The base rates applied to debt not covered by funds in escrow accounts depend on the key interest rate of the Central Bank of the Russian Federation. At present, a significant part of the project financing received is covered by cash in escrow accounts. Information on sensitivity to interest rate risks, as well as the structure of debt and funds received in escrow accounts, is disclosed in notes 23, 27 and 31.
- Most of the Group's sales are made on a prepaid basis, so the Group does not expect any increase in overdue receivables as a result of delays in payment by customers of their obligations. Information on creating a provision for trade receivables is provided in the note 31.
- Part of the Group's cash, as well as buyers' funds in escrow accounts, are placed with Russian banks, which are subject to sanctions by the European Union and the United States of America. Given the current financial condition of the partner banks, measures of their state support, the Group does not expect a significant increase in credit risk.
- The Group forecasts that in 2022 all financial covenants of existing loan agreements will be complied with.

Operational risks

- Completion of the construction of real estate properties for which contracts have been concluded with buyers and funds have been received on escrow accounts is expected within a period of one to three years. Management does not anticipate a significant increase in risks associated with a significant decline in profitability or untimely completion of properties under construction.
- The Group calculates a forecast of future sales, which will depend on mortgage rates, government support measures for mortgage lending and effective demand.
- The Group does not expect a significant impairment of construction-in-progress and other non-financial assets due to a possible increase in cost. The sensitivity to changes in the key assumptions used in impairment testing is provided in the note 24.

Other subsequent events

In May 2022, the Group has not paid a coupon on Eurobonds in the amount of USD 14.8 million. While the Group has all the financial capabilities to make such a payment however the Group needed to take several technical measures to comply with the requirements of the government subcommittee of the Ministry of Finance of the Russian Federation. The Group has developed steps to amend issue documentation to proceed with a payment and continue to make coupon payments on Eurobonds in the future and plans to agree on them with bondholders in June 2022.

In March 2022, the Group acquired from a third party a 100% stake in the energy holding for an insignificant consideration. The acquired company's net assets according to statutory books of accounts is about 187 thousand rubles, including accounts payable to the Group in the amount of 6 billion rubles. As disclosed in Note 8 in 2021, as part of the disposal of property, plant and equipment the Group sold to the company certain entities in the Maintenance segment. As a result of this transaction, the company recognised the accounts payable mentioned above. The acquired holding did not prepare consolidated financial statements.

As at the date of approval of these consolidated financial statements, the Group has not completed a quantitative assessment of the impact of the current situation on its activities. Management believes that the Group is able to continue as a going concern in the current environment and there are no material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The Group's management continues to closely monitor the situation and will take the necessary measures to mitigate the consequences of possible negative events and circumstances as they arise.

37 Basis of measurement

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

38 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (note 38a (iii)). To determine whether a particular set of activities and assets is a business, the Group assesses whether the acquired set of assets and activities includes input and substantive process as a minimum and whether the acquired set can produce outputs.

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

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus

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

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

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

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

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

(ii) Non-controlling interests

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

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

Non-controlling interest in subsidiaries registered in the form of limited liability companies, whose charters provide for the option for one participant to withdraw at their request and for payment of the value of its interest, is recognised in other payables. Where the net assets of subsidiaries in the form of limited liability companies are negative, no non-controlling interest is recognised. The result of attributable to non-controlling interests in subsidiaries incorporated as limited liability companies is recognised as finance costs.

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

(iii) Subsidiaries

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

(iv) Loss of control

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

(v) Interests in equity-accounted investees

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

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

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

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

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

(vi) Transactions eliminated on consolidation

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

(b) Revenue from contracts with customers

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

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

- the contracts were negotiated as a package with a single commercial objective;
- the amount of consideration payable under one contract depends on the price or performance of the other contract; or
- the goods or services promised under the contracts (or some goods or services promised under each contract) constitute a single performance obligation.

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

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

(i) Revenue from the sale of real estate properties

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

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

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

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

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

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

If the terms and conditions of loan agreements change and recognised as a modification, the effect is recognised in finance income and costs.

The Group recognises a financial asset under the project financing agreements based on the expected loan drawdowns with the respective adjustments to the consideration under contracts with customers who have deposited funds on escrow accounts, even if project financing has not yet been drawn down. This financial asset is accounted for at amortised cost.

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

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

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

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

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

(ii) Revenue from construction services

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

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

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

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

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

(iii) Revenue from maintenance services

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

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

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

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

(iv) Other revenue

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

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

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

(c) Other expenses

(i) Social expenditure

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

(d) Finance income and costs

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

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

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

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

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

- the gross carrying amount of a financial asset; or
- the amortised cost of a financial liability.

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

(e) Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign subsidiaries

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(f) Employee benefits

(i) Contributions to the Pension Fund of the Russian Federation

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

(ii) Short-term employee benefits

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

(g) Provisions

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

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

(i) Provision for costs to complete

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

(ii) Tax provision

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

(iii) Provision for litigation

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

(iv) Provision for warranty obligations

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

(v) Provision for onerous contracts

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

(h) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

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

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

(i) Intangible assets and goodwill

(i) Goodwill

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

(ii) Client base

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

(iii) Concession

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

(iv) Design developments

The Group capitalises design development expenditures for the development of real estate, design and testing of prototypes and models of new production facilities.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the profit or loss as incurred.

The designs are protected by confidentiality and are created solely for Group's internal use.

(v) Software

The software includes acquired rights and licences for software products used, mobile applications, management programs, including Smart Home systems, as well as applications and developments (including those created by the Group) for interacting with customers.

(vi) Other intangible assets

Other intangible assets include non-exclusive software licences.

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

(vii) Subsequent expenditure

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

(viii) Amortisation

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

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

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

- concession 22-24 years;
- software 1-10 years;
- design developments 1-5 years;
- other intangible assets 1-15 years.

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

(j) Investment property

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

Investment property comprises land plots with undetermined future use.

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

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

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

(k) Financial instruments

(i) Recognition and initial measurement

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

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

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

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

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

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

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

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- management compensation (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- the frequency, volume, and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

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

Subsequent measurement of financial assets

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

- ***Financial assets at fair value through profit and loss*** are measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss for the period.
- ***Financial assets at amortised cost*** are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- ***Debt investments at fair value through other comprehensive income*** are measured at fair value. Interest income calculated using effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- ***Equity investments at fair value through other comprehensive income*** are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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

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

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

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

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

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

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

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

(v) Derecognition – financial assets

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

(vi) Derecognition – financial liabilities

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

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

(vii) Offsetting

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

(viii) Financial guarantee contracts

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

(l) Equity

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

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury 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 presented in additional paid-in capital.

(m) Leases

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

As a lessee

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension

option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

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

- lease agreements are concluded for a long term, and the Group determines the lease term under the contract based on the timing for completion of construction and transfer of the real estate to customers, which on average range from 2 to 8 years;
- contracts for which lease payments change unilaterally during the lease term and are independent of the index or rate, i.e. do not reflect changes in market rental rates, are not included in the calculation of the lease liability and are recognised as they become due. For leases of municipal (or federal) land where lease payments are based on the cadastral value of the land and may be modified as a result of the potential revision of that value or payments (or both) by the authorities, the Group has determined that such lease payments are neither variable (which depend on any index or rate or reflect changes in market rental rates) nor substantially fixed, and therefore these payments are not included in the measurement of the lease liability;
- payments for change of authorised type of usage of land under lease agreement are accounted for as lease-related costs and are included in the calculation of lease assets and liabilities;
- in cases, when there is sufficient certainty that the Group will exercise the option to purchase the land provided in the lease agreement, the redemption amount is included in the lease payment schedule. At the same time, many agreements contain the obligation to buy the land plot, but the Group can default it without a significant impact on its financial results and without incurring material expenses. Under such agreements the Group considers that sufficient certainty arises only if the decision to construct the residential property on the land plot has been made.

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

(n) Inventories

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

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

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

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

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

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

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

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

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

(o) Other current assets

The Group capitalises costs incurred in fulfilling contracts with customers and recognises other current assets. These costs include non-refundable taxes on intercompany agency fees, insurance services and costs of registration of title, as they would not have been incurred if contracts for the sale of real estate were not concluded and are expected to be recovered. Costs included in other current assets are recognised in the cost of sales over time based on the liability fulfilled under related contracts.

(p) Impairment

Non-derivative financial assets

Financial instruments and contract assets

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

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

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

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

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

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;

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

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

Write-off

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

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets

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

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

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

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

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

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

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

(q) Income tax

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

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

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

Deferred tax is not recognised for:

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

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

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

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

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

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

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

(r) Earnings per share

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

(s) Segment reporting

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

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

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

39 New Standards

A number of new requirements are effective for annual periods beginning after 1 January 2021 and early adoption is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

These amendments specify which costs an entity includes in determining the cost of fulfilling a contract to assess whether the contract is onerous. These amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group is in the process of evaluating the terms of the contracts existing at 31 December 2021 to determine whether they will be completed before the amendments become effective, as well as to assess the potential effect.

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

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

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

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

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group accounts for deferred tax on leases and decommissioning liabilities applying the "integrally linked" approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the consolidated statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. As at 31 December 2021, the taxable temporary difference in relation to the right-of-use asset is RUB 19,558 million (Note 22) and the deductible temporary difference in relation to the lease liability is RUB 15,930 million (Note 22), resulting in a net deferred tax liability of RUB 800 million (Note 14). Under the amendments, the Group will present a separate deferred tax liability of RUB 4,147 million and a deferred tax asset of RUB 3,347 million. There will be no impact on retained earnings on adoption of the amendments.

(d) Other

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

- Annual Improvements to IFRSs 2018-2020 period – various standards;
- References to the Conceptual Framework of Financial Reporting (amendments to IFRS 3);
- COVID-19-Related Rent Concessions effective After 30 June 2021 (amendment to IFRS 16 "Leases");
- Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16 "Property, Plant and Equipment");
- Classification of liabilities as Current or Non-current (Amendments to IAS 1 "Presentation of Financial Statements");
- IFRS 17 "Insurance Contracts";
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Determining the accounting estimate (amendments to IAS 8).

40 Non-IFRS measures

Net debt

mln RUB	Note	31 December 2021	31 December 2020
Loans and borrowings, excluding project financing	27	110,852	68,819
Project financing	27	336,442	163,276
Cash and cash equivalents	23	(131,200)	(96,527)
Net debt		**316,094**	**135,568**

Net debt except for escrow accounts balances

mln RUB	Note	31 December 2021	31 December 2020
Loans and borrowings, excluding project financing	27	110,852	68,819
Project financing	27	336,442	163,276
Cash and cash equivalents	23	(131,200)	(96,527)
Escrow accounts balances	23	(201,997)	(90,303)
Net debt		**114,097**	**45,265**

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

mln RUB	Note	2021	2020
Profit and total comprehensive income for the period		103,600	86,493
Depreciation of property, plant and equipment and amortisation of intangible assets	15,16	4,943	3,479
Interest expense after capitalisation	10	13,864	4,753
Significant financing component on contracts with customers and the effect of discounting the provision for costs to complete, included in other financial costs	10	4,974	3,211
Interest income	10	(4,153)	(4,034)
Income tax expense	14	20,557	18,782
EBITDA		**143,785**	**112,684**

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

mln RUB	Note	2021	2020
EBITDA		**143,785**	**112,684**
Significant financing component and interest expense savings from project financing of construction of real estate sold through the use of escrow accounts recognised in revenue	9	(11,935)	(7,889)
Interest expense written off to cost of sales	10	9,871	8,496
Discount the provision for costs to complete accrued to cost of sales	29	(4,436)	(397)
Impairment losses/(reversal of impairment losses) on non-financial assets, net	24	221	(996)
Impairment loss included in cost of sales, net	24	827	380
Profit from change in fair value of investment property	17	(1,636)	(480)
Negative goodwill from acquisition of subsidiaries	11	-	(120)
Impairment loss on financial assets, net	10	1,534	1,598
Write-off of accounts payable	10	(74)	(122)
Foreign exchange gain, net	10	(146)	(24)
Loss on disposal of property, plant and equipment, intangible assets and other assets	11	1,751	816
Loss/(gain) on disposal of subsidiaries, associates and investment property, net	8	2,447	(620)
Penalties and fines, including provision for litigation	11	2,829	1,038
Write-off of other materials		296	208
Other finance income	10	(171)	(49)
Elimination of revaluation of cash-settled financial instruments and financial liability	10	(54,171)	(24,140)
Adjusted EBITDA		**90,992**	**90,383**

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Supplementary information not required by IFRS

Net cash from operating activities before acquisition and sale of land plots/right-of-use assets and prepayments for land plots/right-of-use assets

mln RUB	2021	2020
Cash flows from operations before changes in inventories, accounts receivable and payable, provision for costs to complete and before exclusion cash flows from the sale of land plots	**81,617**	**82,089**
Exclusion cash flows from the sale of land plots	(39,851)	(75)
Changes in:		
Inventories before acquisitions and sale of land plots/right-of-use asset	34,807	30,902
Receivables, including contract assets and excluding advances issued for the acquisition of land plots/right-of-use asset	(177,023)	(80,749)
Payables, including contract liabilities and changes in the provision for taxes, other than income tax	64,828	(10,502)
Provisions	8,189	2,086
Net cash flows (used in)/from operations before income taxes and interest paid and before acquisition expenses and proceeds from sale of land plots/right-of-use asset and advances issued for the acquisition of land plots/right-of-use asset	**(27,433)**	**23,751**
Income taxes paid	(23,487)	(6,326)
Interest paid	(19,889)	(9,089)
Net cash flows (used in)/from operations before acquisitions expenses and proceeds from sale of land plots/right-of-use asset and advances issued for the acquisition of land plots/right-of-use asset	**(70,809)**	**8,336**
Acquisition of ownership and lease of project land plots, including acquisition of subsidiaries	(165,929)	(56,700)
Gain on sales of land plots/right-of-use asset, excluding trade receivables	39,851	75
Changes in accounts payable for acquisition of land plots, liabilities to transfer real estate objects in land plot acquisition transactions and long-term lease liabilities	36,618	2,521
Sales of real estate to settle obligations for the acquisition of land	805	(873)
Change in advances issued for the acquisition of land plots/right-of-use asset	(10,863)	(3,939)
Net cash used in operating activities	**(170,327)**	**(50,580)**

Net assets of LLC GP-MFS

As at 31 December 2021 and as at 31 December 2020, the net assets of LLC GP-MFS amounted to a positive value.

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

In 2021 development capital expenditure amounted to RUB 221,486 million (2020: RUB 169,261 million).

Proceeds from sales of real estate

In 2021 proceeds from real estate sales taking into account receipts for escrow accounts amounted to RUB 351,103 million (2020: RUB 275,235 million).

Independent Auditors' Report

To the Shareholders and the Board of Directors of
Public Joint Stock Company "PIK-specialized homebuilder"

Opinion

We have audited the consolidated financial statements of Public Joint Stock Company "PIK-specialized homebuilder" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

Please refer to the Note 9 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group recognizes revenue from contracts with customers in most cases over time based on progress towards complete satisfaction of the performance obligation determined using the input method. The forecast of total construction costs serving as the basis for the Group's estimation of progress towards satisfaction of the performance obligation involves the use of significant professional judgment and certain assumptions. Uncertainty is inherent in estimation of costs to	Our audit procedures included: — We analyzed the Group's accounting policy for revenue recognition from contracts with different types of customers and the methodology applied to determine the amount of revenue in the reporting period. — On a sample basis, we compared components of the budgets used to determine progress towards complete satisfaction of the performance obligation with the parameters of construction projects specified in respective construction permit documentation. We compared the expected cost of construction per square meter in the budgets of selected projects to the cost of construction per square meter in similar

complete due to the volatility of the economic environment, possible changes in project parameters and the duration of the operating cycle. In addition, the transaction price in contracts with customers is determined taking into account a significant financing component or savings on interest expense, and certain other variable components, which requires calculations that are technically complex and carries a risk of material misstatement. In the reporting period the Group continues to develop projects, where sales are conducted using escrow accounts, which significantly increased the complexity of calculations for revenue recognition.	completed projects and critically assessed comments obtained on significant deviations identified. — Among other procedures, we agreed on a sample basis costs incurred to the supporting documentation. — We tested the arithmetical accuracy of calculations of progress towards complete satisfaction of the performance obligation for selected groups of contracts. — We agreed, on a sample basis, input data used in revenue calculations to contracts with customers. — On a sample basis we recalculated the savings on interest expense as part of the transaction price. — On a sample basis, we tested whether contracts with customers were registered with the Rosreestr.

Provision for costs to complete

Please refer to the Note 29 in the consolidated financial statements.

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

value of money. The estimates may vary significantly as a result of changes in project parameters, prices for materials and labor, timeline of projects, therefore the calculations involve the risk of material misstatement.	

The influence of subsequent events

Please refer to the Note 36 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Subsequent to the reporting date and following the commencement of military operations in Ukraine, severe sanctions were imposed by the United States of America, the European Union and some other countries against Russia, which led to significant market volatility, disruption in the supply chains and significantly increased the level of economic uncertainty. The above circumstances represent significant non-adjusting events after the reporting period that under IAS 10 Events after the reporting period require adequate disclosure in the consolidated financial statements, including the nature of the events, the estimate of their financial effect, if such estimate can be made, and the effects of the events on the Group's ability to continue as a going concern. Given the impact of the circumstances Management's analysis requires a significant degree of judgment and involves various estimates and forecasts characterized by higher level of uncertainty. As described in Note 36, Management concluded that there is no material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.	Along with other audit procedures we: Analyzed management's assessment of the impact of events after the reporting date on the Group's financial position and short- and mid-term plans and forecasts, including: — Assessment of sensitivity of the Group's operations to main market, financial and regulatory risks, including risks related to borrowing and mortgage rates, availability of external financing, continuity in demand, prices for construction materials and the extent of governmental support. — Evaluation whether the above key assumptions were realistic, achievable, and consistent with the environment on the basis of all available internal and external sources. — Evaluation the influence of recent measures of support for the construction industry and mortgage lending by the Russian government. — Assessment reasonableness of assumptions related to fulfilment of financial and non-financial covenants in existing loan agreements. Evaluated the adequacy of related disclosures in the consolidated financial statements, such as events after the reporting date disclosure and sensitivity analysis to financial risks and inventory impairment sensitivity.

Other Matter

The supplementary information in the accompanying consolidated financial statements on page 98 is presented solely for the convenience of users, does not form part of the consolidated financial statements and is unaudited.

Other Information

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Kirill Altukhov

Principal registration number of the entry in the Register of Auditors and Audit organizations No. 21906104747, acts on behalf of the audit organization based on the power of attorney No. 73/21 as of 25 May 2021

JSC "KPMG"

Principal registration number of the entry in the Register of Auditors and Audit Organizations No. 12006020351

Moscow, Russia

24 June 2022