JSC Pioneer Group

Consolidated Financial Statements
for 2021 year
and independent auditors’ report

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Independent Auditors' Report

To the Shareholders of JSC Pioneer Group

Opinion

We have audited the consolidated financial statements of JSC «Pioneer Group» (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 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 of 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.

Accuracy and completeness of revenue recognition

Please refer to the Note 7 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Revenue from contracts with customers is recognized in most cases over time and includes an adjustment for a significant financing component. Revenue recognized over time based on the degree of fulfillment of a contractual obligation is calculated using the input method. The forecasting of construction costs, based on which the Group estimates the stage of completion, involves the use of significant professional judgment and assumptions. Estimation of construction costs is inherently uncertain due to the volatility of the economic situation, changes in legislation and the length of the operating cycle. In addition, the calculation of revenue and a significant financing component and the allocation of total costs to the cost of specific properties are complex and have a significant impact on the consolidated financial statements.	We analyzed the Group's accounting policy on revenue recognition, as well as the methodology used by management in calculating revenue, including a significant financing component, savings on interest expenses, and cost of sales. We selectively compared the components of the budgets underlying the determination of the degree of fulfilment of obligations under the contract with the characteristics of projects under construction defined in the relevant permits. We compared the cost of construction per square meter in the budget of selected projects with the current cost per square meter in completed projects and critically evaluated the explanations received for the identified significant discrepancies. Regarding costs, we have selectively correlated the costs incurred with supporting documents and compared the actual costs incurred with budget data. We have tested calculations of the degree of fulfilment of obligations under the contract for selected projects of the Group. On a selective basis, we compared the initial data.

Accuracy and completeness of impairment of inventories

Please refer to the Note 20 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's inventories as of December 31, 2021 are significant in the amount of RUB 47, 660 million, and are mainly represented by unsold properties in completed projects, projects under construction and cost of land plots where the construction takes place that has not written-off to cost of sales yet. During the preparation of the consolidated financial statements, the Group analyzed inventories to identify signs of impairment, as well as objects, the carrying value of which at the reporting date exceeds the net realizable value. Calculation of the net possible sale price is based on projections and assumptions that involve a significant degree of uncertainty and require professional judgment.	We have analyzed the models for evaluating the implementation of projects underlying the identification of projects in which objects can be sold with negative or low returns, as well as on the basis of which the net possible sale price of stocks is calculated. We compared the construction cost estimates generated in the project implementation models with other projects with similar characteristics and critically assessed the identified differences. We involved our own valuation specialists in the audit process, who selectively analyzed the data of the Group's project models and the methodology for their compilation, including the discount rates used depending on the stage of obtaining permits and project implementation. We also critically evaluated the key input data used, including: - on a selective basis, we compared the components of the construction completion costs in the models with the characteristics of the projects defined in the relevant permit documents; - we compared, on a sample basis, updated construction budgets with previous versions of the budgets for prior reporting dates, and received and critically assessed management's explanations of material changes; - on a sample basis, we compared the forecasted sales prices for properties under construction with the publicly available information on the actual prices offered by the Group and its competitors for comparable properties.

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.

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.

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 skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 carry out informational interaction with persons responsible for corporate governance, informing them, among other things, about the planned scope and timing of the audit, as well as about significant comments on the audit results, including significant deficiencies in the internal control system that we identify during the 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:

Koliadko Elena

The main registration number of the entry in the register of auditors and audit organizations is 22006023423, acting on behalf of the audit organization on the basis of power of attorney No. 63/20 dated March 5, 2020

JSC KPMG

The main registration number of the entry in the Register of auditors and audit organizations No. 12006020351

Moscow, Russia

15 March 2022

mln. RUB	**Note**	**2021**	**2020**
Revenue	7	37 731	46 450
Cost of sales		(24 143)	(29 229)
Gross profit		**13 588**	**17 221**
Other income	12	284	200
Commercial expenses	8	(1 450)	(1 908)
Administrative expenses	10	(2 176)	(1 989)
Other expenses	11	(209)	(252)
Results from operating activities		**10 037**	**13 272**
Finance income	13	309	284
Finance costs	13	(2 757)	(1 972)
Profit before income tax		**7 589**	**11 584**
Income tax expense	14	(1 788)	(2 575)
Profit for the year		**5 801**	**9 009**
Other comprehensive income attributable to owners of the Company			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		27	384
Total comprehensive income		**5 828**	**9 393**
Profit attributable to:			
Owners of the Company		5 801	9 009
Non-controlling interest		-	-
Profit for the year		**5 801**	**9 009**
Total comprehensive income attributable to:			
Owners of the Company		5 828	9 393
Non-controlling interest		-	-
Profit and total comprehensive income		**5 828**	**9 393**
Basic and diluted earnings per share	25	5,80	9,01

These consolidated financial statements were approved by Management of JSC Pioneer Group on 15 March 2022 and were signed on its behalf by:

General Director	Financial Director
JSC Pioneer Group	JSC Pioneer Group
______________________	______________________
Maksimov L.V.	Miroshnikov A.A.

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 15 – 60.

mln. RUB	Note	31 December 2021	31 December 2020	31 December 2019*
ASSETS				
Non-current assets				
Investment property	15	2 415	2 053	1 990
Property, plant and equipment	16	882	974	777
Intangible assets	17	110	46	51
Equity-accounted investments	18	4 689	4 607	-
Other investments		349	38	138
Deferred tax assets	19	702	607	496
Trade and other receivables		27	27	48
Total non-current assets		**9 174**	**8 352**	**3 500**
Current assets				
Inventories	20	47 660	35 313	44 364
Other investments		61	179	18
Contract assets	7	28 372	11 833	1 693
Assets recognized from costs to fulfil contracts		97	97	417
Trade and other receivables	21	1 151	604	952
Other current assets		450	245	120
Cash and cash equivalents	22	6 037	10 941	9 556
Total current assets		**83 828**	**59 212**	**57 121**
Total assets		**93 002**	**67 564**	**60 260**
EQUITY AND LIABILITIES				
Equity				
Share capital	25	1	1	1
Foreign currency translation reserve	18	274	247	(137)
Retained earnings		22 165	17 264	13 848
Equity attributable to the owners		**22 440**	**17 512**	**13 712**
Non-controlling interest		55	55	55
Total equity		**22 495**	**17 567**	**13 767**
Non-current liabilities				
Loans and borrowings	26	44 050	25 869	11 877
Deferred tax liabilities	19	1 736	2 283	2 089
Other non-current liabilities	23	679	531	869
Total non-current liabilities		**46 465**	**28 683**	**14 835**
Current liabilities				
Loans and borrowings	26	7 900	4 134	5 386
Contract liabilities	7	5 300	8 913	20 227
Trade and other payables	23	4 807	3 713	4 634
Provisions	27	1 841	1 832	1 771
Deferred income	24	4 194	2 722	-
Total current liabilities		**24 042**	**21 314**	**32 018**
Total liabilities		**70 507**	**49 997**	**46 853**
Total equity and liabilities		**93 002**	**67 564**	**60 620**

*Due to changes in accounting policy the consolidated statement of financial position includes balances as at 31 December 2019. See Note 6.

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 15 - 60.

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Mln. RUB		**Equity attributable to owners of the Company**					
	Note	**Share capital**	**Retained earnings**	**Foreign currency translation reserve**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2020		**1**	**13 848**	**(137)**	**13 712**	**55**	**13 767**
Income for the year		-	9 009	-	9 009	-	9 009
Other comprehensive income for the year		-	-	384	384	-	384
Total comprehensive income for the year		**-**	**9 009**	**384**	**9 393**	**-**	**9 393**
Transactions with owners of the Company							
Dividends	25	-	(5 593)	-	(5 593)	-	(5 593)
Total transactions with owners of the Company		**-**	**(5 593)**	**-**	**(5 593)**	**-**	**(5 593)**
Balance at 31 December 2020		**1**	**17 264**	**247**	**17 512**	**55**	**17 567**

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 15 - 60.

mln. RUB	Note	Equity attributable to owners of the Company				Non-controlling interest	Total equity
		Share capital	Retained earnings	Foreign currency translation reserve	Total		
Balance at 1 January 2021		**1**	**17 264**	**247**	**17 512**	**55**	**17 567**
Income for the year		-	5 801	-	5 801	-	5 801
Other comprehensive income for the year		-	-	27	27	-	27
Total comprehensive income for the year		**-**	**5 801**	**27**	**5 828**	**-**	**5 828**
Transactions with owners of the Company							
Dividends	25	-	(900)	-	(900)	-	(900)
Total transactions with owners of the Company		**-**	**(900)**	**-**	**(900)**	**-**	**(900)**
Balance at 31 December 2021		**1**	**22 165**	**274**	**22 440**	**55**	**22 495**

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 15 - 60.

mln. RUB	**Note**	**2021**	**2020**
OPERATING ACTIVITIES			
Profit before income tax		**7 589**	**11 584**
Adjustments for:			
Depreciation and amortization		259	492
Change in fair value of investment property	15	(100)	42
Capitalized interest, including significant financing component on prepayments from customers attributed to cost of sales for the year	13	1 348	1 544
Loss from disposal of investment property and assets held for sale		19	11
Write-off of foreign currency translation reserve on disposal of subsidiaries		-	136
Finance income	13	(309)	(284)
Finance costs	13	2 757	1 972
Cash flows from operating activities before changes in working capital and provisions		**11 563**	**15 497**
(Increase) / decrease in inventories		(11 796)	103
Increase in contract assets		(16 539)	(10 140)
(Increase) / decrease in assets recognized from costs to fulfil contracts		(2)	321
(Increase) / decrease in trade and other receivables		(500)	280
Decrease in contract liabilities		(6 223)	(13 297)
Increase in deferred income	24	1 472	2 722
(Increase) / decrease in trade and other liabilities, other than liabilities from purchase of intangible assets		1 207	(1 703)
Decrease in provisions		(296)	(320)
Cash flows used in operating activities before income taxes and interest paid		**(21 114)**	**(6 537)**
Income tax paid		(2 642)	(2 219)
Interest paid		(1 955)	(1 342)
Net cash used in operating activities		**(25 711)**	**(10 098)**

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 15 – 60.

mln. RUB	**Note**	**2021**	**2020**
INVESTING ACTIVITIES			
Interest received		220	221
Acquisition of property, plant and equipment		(133)	(81)
Acquisition of intangible assets		(117)	-
Acquisition of investment property		(262)	(105)
Cash of disposed subsidiaries		-	(7)
Investment in joint venture		(56)	(5)
Loans granted		(1 900)	(148)
Loans repaid		1 719	64
Net cash used in investing activities		**(529)**	**(61)**
FINANCING ACTIVITIES			
Proceeds from borrowings		34 950	23 977
Repayment of borrowings		(12 278)	(6 419)
Rental payments		(374)	(412)
Dividends		(909)	(5 600)
Option premium		(53)	-
Net cash from financing activities		**21 336**	**11 546**
Net decrease / (increase) in cash and cash equivalents		(4 904)	1 385
Cash and cash equivalents at 1 January		10 941	9 556
Cash and cash equivalents at 31 December	22	**6 037**	**10 941**

(*) Cash flows used in operations in 2021 do not include cash paid by customers and placed to escrow accounts in responsible banks under shared participation agreements in the amount of RUB 28 930 million (2020: RUB 17 086 million). After putting buildings into use cash from escrow accounts of RUB 5 034 million (2020: nil) was received to Group’s bank accounts.

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 15 – 60.

1 Reporting entity

(a) Organization and operations

JSC Pioneer Group (hereinafter the "Company") and its subsidiaries (hereinafter collectively the "Group") are registered in the Russian Federation and carry out projects on the construction of residential and commercial real estate and their subsequent sale. The Group operates principally in Moscow

The Company was founded in 2007 and is registered at the address: 3 Malaya Pirogovskaya street, Moscow.

The following legal entities are the shareholders of the Group:

- Novy Kolizey LLC (50% shareholding)
- Element Management Company LLC (50% shareholding)

The Group is one operating segment for purposes of IFRS reporting.

As of December 31, 2021 the ultimate beneficiary owner of the Group is Mr. Maksimov L.V., who is entitled to manage the Group's operations at his own discretion and in his own interest. Related party transactions are disclosed in note 30.

(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 entities 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 against several Russian citizens and legal entities. The imposition of sanctions has led to an increase in economic uncertainty, including greater volatility in capital markets, a fall in the Russian ruble, a reduction in the volume of foreign and domestic direct investment, as well as a significant decrease in the availability of debt financing sources. In particular, some Russian companies may experience difficulties in gaining access to the international stock market and the debt capital market, which may lead to increased dependence on government support. It is difficult to assess the consequences of the imposed and possible additional sanctions in the long term. The recent increase in tension over the situation around Ukraine has also led to increased uncertainty in the conditions of economic activity and increased risks of additional sanctions.

In February 2022, following the recognition of the self-proclaimed republics of Donetsk and Lugansk, as well as the announcement and launch of a military operation in Ukraine by the Russian Federation, the United States of America, the European Union and some other countries imposed additional sanctions against Russia. Moreover, there is a high risk of further sanctions. This may have a significant negative impact on the Russian economy. These circumstances led to a fall in the exchange rate of the Russian ruble, increased volatility of financial markets, and significantly increased the level of economic uncertainty in the conditions of economic activity in Russia. See also Notes 2 (b) and 32 regarding the impact of these events on the continuity of the Group's activities and events after the reporting date.

Also, the COVID-19 coronavirus pandemic has continued to create additional uncertainty in the business environment.

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

2 Basis of accounting

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Going concern assumption

Based on the analysis of the business environment in note 1 (b), as of the date of approval of these consolidated financial statements, the Group concluded that there was no material uncertainty that could cause significant doubts about its ability to continue a going concern basis. See also Note 32 regarding the impact of these events on the continuity of the Group's activities and events after the reporting date.

Based on the results of the prepared analysis and cash flow forecast, the Group believes that it can continue its activities and fulfill its obligations as they occur.

Based on the liquidity position of the Group as of the date of approval of these consolidated financial statements and related to the future development of the economic situation in the country, management believes that if the situation becomes worth, the Group will not need additional financing to meet its financial obligations.

As of the date of approval of these consolidated financial statements, the Group has resources in the amount of RUB 62 billion, including cash and cash equivalents in the amount of RUB 2 billion, promissory notes in the amount of RUB 3.4 billion and an unused credit line limit in the amount of RUB 57 billion. These promissory notes are pledged to the bank (see Note 32). Currently, the Group is negotiating these pledges to be cancelled.

The Group operates primarily on the Russian market with Russian suppliers and customers, as a result sanctions (see Note 1(b)) do not significantly impact on the Group.

Due to increase of Russian central bank key rate rates for mortgages also increased, which may result in the increase of demand for real estate property. However, the Group receives cash from customers only after completion of construction and closing escrow accounts, however temporary decrease in demand on construction in progress will not significantly impact on the Group's liquidity position – those buildings where escrow accounts will be released in 2022 were mostly sold out, for other buildings completion of the construction and release of escrow accounts will be in 2023-2026 (see note 20).

Based on these factors, management considers that the Group has enough resources and credit facilities. Accordingly, management concluded that there is no material uncertainty regarding the Group's ability to continue on a going concern basis.

3 Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented.

For subsidiaries and joint ventures of the Group that are located in the United States of America United States Dollar ("USD") is the functional currency. These companies' financial data is recalculated into financial statements presentation currency at the official US Dollar exchange rates determined by the Central Bank of Russia. All financial information presented in RUB has been rounded to the nearest million.

4 Use of estimates and judgments

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

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

Information about critical judgements 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 7 – revenue recognition.
- Note 15 – recognition of investment property.
- Note 29 – contingencies.

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

- Note 15 – investment property.
- Note 19 - deferred tax assets.
- Note 20 – inventories.
- Note 27 – reserves.
- Note 29 – contingencies.

5 Measurement of fair values

Several the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following note.

Note 15 – investment property.

Note 28 – financial instruments.

6 Changes in accounting policy

On 1 January 2021, the Group changed its presentation of development rights, which include costs of land acquisition, site preparation and project documentation development, in assets. Previously these assets were presented in intangible assets, starting from 1 January 2021 presentation was changed to inventories. Due to this change the comparative figures of the consolidated statement of financial position and consolidated statement of cash flows were recalculated.

Consolidated Statement of Financial Position as at 31 December 2020:

mln. RUB	**Before recalculation**	**Adjustments**	**After recalculation**
Intangible assets	8 525	(8 479)	46
Inventories	26 834	8 479	35 313

Consolidated Statement of Financial Position as at 31 December 2019:

mln. RUB	**Before recalculation**	**Adjustments**	**After recalculation**
Intangible assets	3 108	(3 057)	51
Inventories	41 307	3 057	44 364

Consolidated Statement of Cash Flows for 2020:

mln. RUB	**Before recalculation**	**Adjustments**	**After recalculation**
Decrease in inventories	6 936	(6 833)	103
Decrease in trade and other payables	(2 745)	1 042	(1 703)
Net cash flow used in operating activities	(4 307)	(5 791)	(10 098)
Acquisition of intangible assets	(5 791)	5 791	-
Net cash flow used in investing activities	(5 852)	5 791	(61)

7 Revenue

(a) Revenue structure

Detailed information on the Group's revenue is present in the table below where it is disaggregated into key products and into revenue recognized over time and point in time:

	2021		2020	
mln. RUB	**Over time revenue**	**Point in time revenue**	**Over time revenue**	**Point in time revenue**
Revenue from the sale of flats	14 308	8 002	34 201	169
Revenue from the sale of commercial real estate other than apartments	8 457	715	3 738	98
Revenue from the sale of apartments	3 967	415	6 160	-
Revenue from the sale of parking slots	733	854	1 859	40
Revenue from other services	-	100	-	56
Total revenue from contracts with customers	**27 465**	**10 086**	**45 958**	**363**
Revenue from rent of investment property	180		129	
Total revenue for the year	**37 731**		**46 450**	

Point in time revenue for 2021 mostly relates to sales of finished goods recorded on the balance sheet as of December 31, 2020.

Revenue for 2021 includes financing component in amount of RUB 485 mln. (for 2020: RUB 1 097 mln.).

(b) Trade receivables, contract assets and contract liabilities

Information about trade receivables, contract assets and contract liabilities are provided in the table below.

mln. RUB	**December 31, 2021**	**December 31, 2020**
Accounts receivable from contracts with customers that are part of «Trade and other receivables» balance sheet line	283	90
Contract assets	28 372	11 833
Contract liabilities	(5 300)	(8 913)
	23 355	**3 010**

Contract assets relate to the Group's rights for reimbursement for the services rendered to date, where under payment schedule provided for by the contracts with customers amounts payable for such rights are not due for payment to the Group as of balance sheet date. Contract assets are reclassified into trade receivables when the Group's right for payment becomes unconditional. Group's contract assets as of December 31, 2021 include RUB 28 372 mln. relating to contracts with customers where settlements are made by means of escrow accounts (for 2020: RUB 11 351 mln.).

Contract liabilities are prepayments received under contracts with customers. Contract liabilities decrease in 2021 mostly related to revenue recognition excluding the effect of change in contract assets and financing component in prepayments in amount of RUB 17 578 mln. (for 2020: RUB 24 996 mln.), as well as to receipt of cash from customers excluding the effect of settlement of trade and other receivables in amount of RUB 21 192 mln. (for 2020: RUB 36 309 mln.). Contract liabilities as of December 31, 2021 also include the amount relating to interest economy effect on escrow-backed loans that equals RUB 1 982 mln. (for 2020: RUB 580 mln.).

Out of contract liabilities recorded as of December 31, 2020 revenue in amount of RUB 11 314 mln. was recognized in 2021 (for 2020: RUB 16 557 mln.).

Breakdown of revenue to be recognized in the future periods under the contracts registered as of December 31, 2021, where the contract liabilities are not fulfilled by the Group as of December 31, 2021, is following:

mln. RUB	2022	2023	2024-2027
Revenue	14 551	5 937	3 521
Total revenue	**14 551**	**5 937**	**3 521**

Breakdown of revenue to be recognized in the future periods under the contracts registered as of December 31, 2020, where the contract liabilities are not fulfilled by the Group as of December 31, 2020, is following:

mln. RUB	2021	2022	2023-2025
Revenue	13 103	1 369	1 007
Total revenue	**13 103**	**1 369**	**1 007**

8 Commercial expenses

mln. RUB	2021	2020
Advertising expenses	778	525
Personnel costs	414	467
Amortization of assets recognized from costs to fulfil contracts – realtor services	178	417
Amortization of costs to obtain and conclude contracts – registration, insurance of liability under share-based construction agreements and contribution to compensation fund	45	226
Amortization of other assets used for commercial purposes	35	273
	1 450	**1 908**

9 Personnel costs

mln. RUB	2021	2020
Bonuses	528	679
Wages and salaries	540	569
Social taxes	239	247
	1 307	**1 495**

10 Administrative expenses

mln. RUB	**2021**	**2020**
Personnel costs	894	1 028
Depreciation and amortization, including amortization of right-of-use assets	225	219
Taxes	190	118
Consulting services	137	84
Legal services	101	57
Utility costs	82	94
Personnel training	74	19
Banking services	35	30
Other administrative expenses	438	340
	2 176	**1 989**

11 Other expenses

mln. RUB	**2021**	**2020**
Expenses related to the disposal of subsidiaries	61	-
VAT and penalties	55	36
Expenses on temporary lease of property for demolition (net)	27	69
Charity expenses	24	-
Impairment of advances given to suppliers	13	79
Expense from valuation of investment property at fair value	-	42
Other expenses	29	26
	209	**252**

12 Other income

mln. RUB	**2021**	**2020**
Income from write-off of liabilities	118	15
Income from the valuation of investment property at fair value	101	-
Income from the sale of property and disposal of companies	22	-
Penalties received	18	24
Income on derecognition of foreign currency translation reserve due to disposal of subsidiaries	-	111
Reversal of legal expenses provision	-	26
Other income	25	24
	284	**200**

13 Finance income and finance costs

mln. RUB	2021	2020
Finance income		
Interest income on loans and deposits	203	207
Income on financing component	79	63
Other finance income	27	14
	309	**284**

mln. RUB	2021	2020
Finance costs		
Interest expense on loans and borrowings	(3 307)	(1 581)
Interest expenses on financing component	(448)	(1 073)
Expenses on installment plans for lease of land	(129)	(236)
Unwinding of discount on loans received and accounts payable	(34)	(167)
Finance costs before capitalization to cost of inventories	(3 918)	(3 057)
Capitalized interest (*)	1 818	1 614
Total finance costs after capitalization	**(2 100)**	**(1 443)**
Unwinding of discount on provisions	(302)	(381)
Banking commission on loans and borrowings	(141)	(57)
Other finance expenses	(214)	(91)
Unwinding of discount on loans received and accounts payable	**(2 757)**	**(1 972)**

(*) In 2021 group capitalized part of the finance expenses to inventories in amount if RUB 1 818 mln. (for 2020: RUB 1 641 mln.). Average interest capitalization rate for 2021 is 9.3% (for 2020: 8.0 %).

In 2021 finance expenses capitalized to inventories were written-off to cost of sales in amount of RUB 1 348 mln. (in 2020: RUB 1 544 mln.).

14 Income tax expense

The Group's applicable tax rate is the corporate income tax rate of 20% for Russian companies.

mln. RUB	2021	2020
Current income tax expense		
Current year	(2 439)	(2 494)
Deferred income tax		
Origination and reversal of temporary differences	651	(81)
Total income tax expense	**(1 788)**	**(2 575)**

Reconciliation of effective tax rate:

	2021		2020	
	RUB mln.	**%**	**RUB mln.**	**%**
Profit before income tax	7 589	100	11 584	100
Income tax at applicable tax rate	(1 518)	20	(2 317)	20
Effect of recognized deferred tax assets	(183)	2.4	(255)	2/2
Reversal of tax reserves	(33)	0.4	-	-
Non-deductible expenses	(54)	0.7	(3)	-
	(1 788)	**23.5**	**(2 575)**	**22.2**

15 Investment property

RUB mln.	
Balance as of January 1, 2020	**1 990**
Purchase of investment property	105
Fair value assessment	(42)
Balance as of December 31, 2020	**2 053**
Purchase of investment property	262
Fair value assessment	100
Balance as of December 31, 2021	**2 415**

As of December 31, 2021 most of the Group's investment property consisted of a school leased to an international education operator and accounted for at fair value in amount of RUB 1 969 mln. (as of December 31, 2020: RUB 1 855 mln.).

Fair value was determined based on the methodology of discounting rental income cash flows, including fixed and variable rent based on the operator's operational results and preliminary agreed with the operator.

Operational results for variable rent calculation were determined based on the following assumptions that have not changed significantly since December 31, 2020:

- weighted average based tuition fees at RUB 1.8 million per annum per one child;
- forecasted period – 7 years;
- capacity utilization in the terminal period – 94.3%.

As of December 31, 2021 discounting and capitalization rates used in the discounted cash flows' calculation were 15.2% and 10.7%, respectively (as of December 31, 2020: 14.1% and 11% respectively).

Fair value of investment property is sensitive to changes in the rental income, especially its variable part dependent on operator's profit:

- decrease of tuition fees by 10% will result in the decrease in fair value by approximately RUB 430 mln.;
- increase of teachers' salary by 10% will result in the decrease in fair value by approximately RUB 220 mln.

For other investment property the management estimated fair value of these premises as at 31 December 2021 by the method of direct capitalization and capitalization rate 11-13%.

16 Property, plant and equipment

RUB mln.	Buildings	Other	Total
Cost			
Balance at 1 January 2020	1 194	252	1 446
Additions	556	71	627
Disposals	(36)	(56)	(92)
Balance at 31 December 2020	**1 714**	**267**	**1 981**
Balance at 1 January 2021	**1 714**	**267**	**1 981**
Additions	78	55	133
Disposals	(249)	(128)	(376)
Balance at 31 December 2021	**1 543**	**194**	**1 737**
Depreciation and impairment losses			
Balance at 1 January 2020	(523)	(146)	(669)
Depreciation for the year	(367)	(53)	(420)
Disposals	36	46	82
Balance at 31 December 2020	**(854)**	**(153)**	**(1 006)**
Balance at 1 January 2021	**(854)**	**(153)**	**(1 006)**
Depreciation for the year	(163)	(43)	(206)
Disposals	242	116	358
Balance at 31 December 2021	**(775)**	**(80)**	**(855)**
Carrying amounts			
Balance at 1 January 2020	**671**	**106**	**777**
Balance at 31 December 2020	**860**	**114**	**974**
Balance at 31 December 2021	**768**	**114**	**882**

(a) Depreciation for the year

Depreciation for 2021 is included in commercial expenses in amount of RUB 18 mln. and in administrative expenses in amount of RUB 188 mln. (for 2020: RUB 273 mln. and RUB 147 mln., respectively).

(b) Right-of-use assets

As of December 31, 2021 the carrying amount of right-of-use asset related to rent of the office premises is RUB 494 mln. (as of December 31, 2020: RUB 630 mln.).

17 Intangible assets

RUB mln.	31 December 2021	31 December 2020	31 December 2019
Balance at 1 January	**47**	**51**	**59**
Additions	118	48	40
Amortization for the year	(49)	(52)	4
Disposals	(6)	-	(52)
Balance at 31 December	**110**	**47**	**51**

Intangible assets mainly include licenses and software.

18 Equity-accounted investments

As of December 31, 2021, the Group's investments in the joint venture amounted to RUB 4,639 million and were accounted for using the equity method in proportion to the Group's share in the capital of the joint venture LLC Astoria West JV, amounting to 52%. At the same time, the Group and the new participants have joint control over Astoria West JV LLC and its subsidiaries, since the shareholders' agreement provides for joint decision-making by the participants.

The movement of this investment in 2021 was as follows:

Mln. RUB	
Balance at January 1, 2021	**4 607**
Other expenses	55
Foreign currency translation reserve	27
Balance at December 31, 2021	**4 689**

United States Dollar is the functional currency of the joint venture, so the foreign currency translation differences arising out of recalculation of the joint venture financials from functional currency to the currency of presentation of the consolidated financial statements of the group as of December 31, 2021 in amount of RUB 274 mln. were included in the foreign currency translation reserve in equity section of the Group’s consolidated statement of financial position (December 31, 2020: 247 mln. RUB).

LLC Astoria West JV,

RUB mln.	31 December 2021
Inventories	20 741
Cash and cash equivalents	6
Long-term loans and borrowings	(10 604)
Short-term liabilities	(1 415)
Net assets as of December 31, 2021	**8 728**

19 Deferred tax assets and liabilities

(a) Recognized deferred tax assets and liabilities

As of December 31, 2021 deferred tax liabilities in amount of RUB 1 736 mln. (as of December 31, 2020: 2 283 RUB mln.) were recognized mostly due to different standards of the Group's revenue and cost of sales recognition in tax and financial accounting, providing for a taxable profit recognition under tax accounting standards at a much later moment than under financial accounting standards.

As of December 31, 2021 deferred tax assets in amount of RUB 702 mln. (as of December 31, 2020: RUB 607 mln.) were recognized mostly due to differences between tax and financial accounting standards of capitalization of expenses into cost of construction in process for projects at an early stage of development, providing for a later recognition of such expenses under tax accounting standards, as well as due to the accumulated tax losses.

The change in deferred tax assets and liabilities balances for 2021 and for 2020 was included in profit tax expenses.

(b) Unrecognized deferred tax liabilities

Deferred tax assets in the amount of RUB 1 451 mln. as of December 31, 2021 and RUB 1 268 mln. as of December 31, 2020 have not been recognized in respect of the deductible temporary differences because it is not probable that future taxable profit will be available at those subsidiaries of the Group where the Group can utilize these tax benefits against their taxable profits.

20 Inventories

mln. RUB	**31 December 2021**	**31 December 2020**	**31 December 2019**
Construction in progress at the stage of active construction	12 455	11 462	31 977
Construction in progress in the form of land rights	17 787	8 479	3 057
Construction in progress at the stage of obtaining of project documentation approvals	14 532	10 207	8 953
Finished goods and goods for resale	2 886	5 165	377
	47 660	**35 313**	**44 364**

Construction in progress will be put into use as follows:

mln. RUB	**31 December 2021**	**31 December 2020**	**31 December 2019**
2020	-	344	19 112
2021-2025	-	11 637	6 618
2023-2026	26 987	9 685	15 199
	26 987	**21 666**	**40 929**

As of December 31, 2021 management of the Group tested inventories for impairment by means of comparison of the sales prices per square meter with the cost of sales per square meter.

The method of discounted cash flows was used to determine the recoverable amount of inventories. The key assumptions used by the Group management in impairment tests for inventories are as follows:

- cash flow forecast was prepared for each project;
- for construction in progress in the form of land rights and at the stage of obtaining permits, the beginning of development is 2022-2023.
- sale prices were forecasted based on market prices for comparable properties in December 2021 with an annual growth of 3-13% (2020: 4-8%);
- sales period is 2-6 years since the beginning of construction works (2020: 2-7 years).

Discount rates as of December 31, 2021 were in the range of 15.1-29%, depending on the stage of obtaining permits (as of December 31, 2020, 15.1-24.5%).

The recoverable amount is most sensitive to changes in assumptions in the reduction of sales prices and in the timing of receipt of funds. A decrease in sales prices by 5% leads to an impairment in the amount of 2.2 billion rubles, a delay in the receipt of funds for a year leads to an impairment in the amount of 3.4 billion rubles.

21 Trade and other receivables

mln. RUB	31 December 2021	31 December 2020
Trade receivables	283	90
Accounts receivable for taxes other than profit tax	262	178
Accounts receivable for profit tax	195	100
Advances issued	156	64
Other receivables	256	172
	1 151	**604**

The Group’s exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 28.

22 Cash and cash equivalents

mln. RUB	31 December 2021	31 December 2020
Current bank account balances	4 928	7 539
Letters of credit for construction	1 108	867
Short-term deposits	-	2 534
Petty cash	1	1
	6 037	**10 941**

23 Trade and other payables

mln. RUB	31 December 2021	31 December 2020
Payables for development rights accounted for in intangibles and inventories	2 181	1 524
Trade payables to suppliers	1 823	1 487
Accounts payable to Moscow department of civil property	753	431
Payables to employees	180	313
Income tax payable	138	255
Other taxes payable	411	224
Payables to shareholders on dividends	-	10
	5 486	**4 244**
Accounts payable non-current	679	531
Accounts payable current	4 807	3 713
	5 486	**4 244**

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 28.

24 Deferred income

mln. RUB	31 December 2021	31 December 2020
Balance at 1 January 2021	**2 722**	**-**
Receipt of subsidies less commissions on issued bank guarantees	1 948	2 722
Written off to reduce the cost of the period	(476)	-
Balance at 31 December 2021	**4 194**	**2 722**

As of December 31, 2021 deferred income in amount of RUB 4 194 mln. (as of December 31, 2020: 2 722 mln. RUB) included government grants in form of land rent payment benefits for 3 years and subsequent exemption from liability to pay rent for land and from liability to pay for change in permitted use of land for several projects of the Group. These grants were given to the Group because the Group carried on development projects providing for new jobs creation in Moscow.

Management of the Group is reasonably certain that as of December 31, 2021 and as of future reporting dates the Group is in compliance with terms of applicability for such grants, so the liability to pay rent for land and the liability to pay for change in permitted use of land were classified as short-term deferred income providing for subsequent recognition of this income as a deduction to cost of sales for those investment projects of the Group where new jobs will be created in Moscow as long as sales are recognized for these projects in the Group's consolidated financial statements.

25 Capital and reserves

(a) Акционерный капитал

mln. RUB

Authorized share capital	**31 December 2021**	**31 December 2020**
Ordinary shares with a par value of RUB 1 000 per 1000 shares	1	1
On issue at year end, fully paid	**1**	**1**
Income and other comprehensive income attributable to owners of the Company	5 801	9 009
Basic and diluted earnings per share	5,80	9,01

Ordinary shares

All shares provide equal rights to residual assets of the Company. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Dividends

In accordance with Russian legislation the Company's dividends are distributed based on the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. In 2021 dividends of RUB 900 mln. were distributed for 2020 year (for 2020: RUB 5 593 mln.).

26 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 28.

mln. RUB	**31 December 2021**	**31 December 2020**
Non-current liabilities		
Long-term secured bank loans	32 184	15 088
Debt securities issued	11 297	9 964
Long-term liabilities for leases	545	735
Long-term borrowings	24	82
	44 050	**25 869**
Current liabilities		
Short-term secured bank loans	5 804	3 401
Short-term liabilities for leases	1 713	376
Debt securities issued	383	357
	7 900	**4 134**

(a) Terms and debt repayment schedule

					31 December 2021		31 December 2020	
mln. RUB	**Currency**	**Nominal interest rate**	**Effective interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Debt securities	RUB	9.75%-12%	9.75%-12%	2021	-	-	354	354
Debt securities	RUB	9.75%-11.75%	9.75%-11.75%	2022	1 713	1 713	1 650	1 650
Debt securities	RUB	9.75%-11.75%	9.75%-11.75%	2023-2025	11 297	11 297	8 314	8 314
Debt securities	RUB	0.01%	0.01%	2021	-	-	3	3
Secured bank loans	RUB	Bank of Russia key interest rate + 2.85%-5%	Bank of Russia key interest rate + 2.85%-5%	2023-2027	9 126	9 126	3 704	3 704
Secured bank loans	RUB	Bank of Russia key interest rate + 2.85%-5%	Bank of Russia key interest rate` + 2.85%-5%	2021	-	-	988	988
Secured bank loans	RUB	Bank of Russia key interest rate + 2.85%-5%	Bank of Russia key interest rate + 2.85%-5%	2022	101	101	25	25
Secured bank loans	RUB	from 0.5% to Bank of Russia key interest rate + 4.6%. but not less than 11.6%	from 0.5 to Bank of Russia key interest rate + 4.6%. but not less than 11.6%	2021	-	-	309	309
Secured bank loans	RUB	from 0.5% to Bank of Russia key interest rate + 4.6%. but not less than 11.6%	from 0.5 to Bank of Russia key interest rate + 4.6%. but not less than 11.6%	2022	601	601	892	892
Secured bank loans	RUB	6.5%	6.5%	2022	1 852	1 852	-	-
Secured bank loans	RUB	8.49%	8.49%	2022	286	286	-	-
Secured bank loans	RUB	10.7%	10.7%	2022	601	601	-	-
Secured bank loans	RUB	8%-8.49%	8%-8.49%	2026-2027	7 815	7 815	3 799	3 799
Secured bank loans	RUB	floating*	floating*	2021	-	-	2 104	2 104
Secured bank loans	RUB	floating*	floating*	2022	2 363	2 363	2 439	2 439
Secured bank loans	RUB	floating*	floating*	2023-2026	15 243	15 243	4 230	4 230
Unsecured borrowings - related parties	RUB	5.5%-7%	5.5%-7%	2023-2026	8	8	82	82

Unsecured borrowings	RUB	12%-16%	12%-16%	2022-2025	18	18	-	-
Lease liabilities	RUB	10%-11%	10%-11%	2021	-	-	376	376
Lease liabilities	RUB	10%-11%	10%-11%	2022	383	383	383	383
Lease liabilities	RUB	10%-11%	10%-11%	2023-2025	545	545	352	352
					51 951	**51 951**	**30 004**	**30 004**

* During 2021, the Group used credit lines to finance the Group's construction projects at a variable interest rate adjusted depending on the volume of balances on escrow accounts. As of December 31, 2021, the loan rate ranges from the base rate of 6.5% - 13.81% to the preferential rate of 0.01% - 9.5% applied to loan debt covered by escrow account balances (as of December 31, 2020: the base rate of 6.65% - 9.5%, the preferential rate of 0.01% - 4%). For most credit lines the base rate depends on Bank of Russia key interest rate.

As of December 31, 2021 the bank loans were secured by the following assets:

- Inventories and intangible assets with a carrying amount of RUB 15 368 mln. (as of December 31, 2020: RUB 16 916 mln.).
- Sureties of JSC «Pioneer Group» and its subsidiaries, sureties of the beneficiary owner of the Group and shares in subsidiaries, comprising a significant part of the Group.
- As of December 31, 2020 100% of shares of JSC «Pioneer Group» were pledged under loans of the Group. In 2021 the pledge was cancelled.

27 Provisions

mln. RUB	2021	2020
Provision for construction of infrastructure	1 560	1 519
Guarantee provision	107	134
Provision for onerous contracts	65	78
Provision for litigations with legal entities	64	64
Provision for litigations with individuals	45	37
Other provisions	**1 841**	**1 832**

Provision for construction of infrastructure is the estimate of future expenses to be incurred by the Group to construct objects of infrastructure and social facilities such as networks, schools, kindergartens, roads etc. for the Group's projects taking into account stage of competition of these projects.

These estimates depend on the current construction laws regulating infrastructure requirements for developers because changes to such laws can lead to changes in investments and other agreements between the Group and city authorities, as well as they depend on costs of workforce and construction materials.

In 2021 the Group used the reserve for infrastructure in amount of RUB 804 mln. and accrued reserves in amount of RUB 543 mln. inclusive of discount unwinding, in amount of RUB 302 mln. (see Note 13).

28 Fair value and risk management

(a) Accounting classification and fair value measurement

(i) Financial assets and liabilities whose fair value is determined solely for disclosure purposes

- **Debt securities issued**

The fair value of debt securities (non-convertible bearer bonds) related to level 2 of the fair value hierarchy is calculated on the basis of listed prices for debt securities with similar characteristics from the MICEX listing. On the basis of these prices, the market discount rate, which is financial return to maturity, is determined. Fair value is determined by discounted the future expected cash flows using this market discount rate.

- **Loans and borrowings**

The fair value of loans and borrowings related to level 3 of the fair value hierarchy is calculated based the future expected cash flows discounted using this market discount rate.

- **Trade and other receivables, loans issued**

The fair value of trade and other receivables, included in level 3 of the fair value hierarchy, is assessed as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

- **Non-derivative financial liabilities**

The fair value of non-derivative financial liabilities included in level 3 of the fair value hierarchy is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest as at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(b) Fair value for disclosure purposes

As of December 31, 2021, the fair value of financial liabilities was less than their book value by RUB 1.4 billion (as of December 31, 2020: by RUB 0.4 billion), the fair value of financial assets of liabilities did not differ significantly from their book value.

(c) Financial risk management

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

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

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

Basic principles of risk management

The Group Management 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 analyze 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.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

- ***Trade receivables, assets under contracts***

Receivables are made up mainly of trade receivables on residential and non-residential real estate assets and receivables from related parties. Contract assets mostly consist of amounts due under contracts and paid by customers but deposited on escrow accounts till finalization of development projects.

The Group minimizes its credit risk in sales of real estate to individuals and legal entities by performing such transactions mostly on a pre-payment basis. Installments are given only after creditworthiness analysis and is not significant currently.

For the purpose of operational control over the level of credit risk, buyers and customers are divided into groups according to credit characteristics, such as the type of buyer (individual / legal entity), the type of contract, the timing of occurrence and repayment. The Group's sales department analyzes compliance with the payment schedule by customers on a monthly basis. In case of violation of payment terms by buyers, a decision is made either to change the installment schedule or to terminate equity participation agreements.

The Group does not require any collateral to be present for its trade and other receivables.

The Group manages recognition and repayment of related party receivables (Note 30), due to which considers that these receivables do not have a significant credit risk.

- ***Loans given***

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

The Group sometimes also takes decision to place temporarily available cash in partners' companies, creditworthiness of which is assessed by Finance director of the Group.

The Group manages recognition and repayment of loans given to related parties (Note 30), due to which considers that these receivables do not have a significant credit risk.

- ***Guarantees***

The Group's policy foresees the provision of financial guarantees by Group companies only for the liabilities of Group companies.

The carrying amount of financial assets represents the Group's maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was

	Carrying amounts	
mln. RUB	**2021**	**2020**
Contract assets	28 372	11 833
Cash and cash equivalents	6 037	10 941
Loans given	410	217
Trade receivables	283	90
Other receivables	256	199
	35 358	**23 280**

The Group evaluates expose to credit risk arising out of contract assets and liabilities on basis of credit ratings given to banks where escrow accounts are opened. As of December 31, 2021 these banks' credit ratings varied from BBB- to BBB according to Fitch and Standard & Poor's (as of December 31, 2020: from BBB to BBB).

Trade and other receivables, loans given

mln. RUB	**Gross 2021**	**Impairment 2021**	**Gross 2020**	**Impairment 2020**
Not past due	573	(34)	547	(41)
Past due	260	(260)	224	(224)
	833	**(294)**	**771**	**(265)**

The movement in the allowance for impairment in respect of trade and other receivables and loans given during the year was as follows:

mln. RUB	**2021**	**2020**
Opening balance	**265**	**293**
Change for the year	29	(28)
Closing balance	**294**	**265**

There were no cases where credit ratings were decreased during the reporting period.

All debtors of the Group are located in the Russian Federation.

The maximum credit risk exposure in relation to trade receivables broken down by customer groups at the reporting date was:

	Carrying amount	
mln. RUB	**2021**	**2020**
Individuals	266	46
Legal entities	17	44
	283	**90**

- ***Cash and cash equivalents***

As of December 31, 2021 cash and cash equivalents amounted to RUB 6 035 mln. (as of December 31, 2020: RUB 10 949 mln.) and were deposited with banks with the following credit ratings according to Fitch and Standard & Poor's. Due to short terms of the deposits no reserve was created under IFRS-9 due to its insignificance.

mln. RUB	**2021**	**2020**
BBB (Fitch)	5 631	3 979
BBB- (Fitch)	34	-
BB (Fitch)	28	6 204
BBB- (Standard & Poor's)	132	726
Other	211	31
	6 036	**10 940**

(ii) Liquidity risk

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

The Group's Finance Department manages the risk of insufficient liquidity in accordance with the internal regulatory documents approved by Group Management, which are regularly reviewed to account for changes in market conditions.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Group intends to settle its financial liabilities by means of cash it will receive from the sale of apartments to individuals.

December 31, 2021 **RUB mln.**	**Carrying amount**	**Contractual cash flows**	**0–2 months**	**2–12 months**	**1–2 years**	**2–5 years**	**5+ years**
Non-derivative financial liabilities							
Secured bank loans	37 987	46 221	5 065	2 231	18 215	10 627	10 073
Unsecured borrowings	26	37	-	1	8	-	27
Debt securities issued	13 010	16 450	-	3 029	6 318	7 103	-
Trade and other payables	4 936	5 028	3 810	487	732	0	-
Obligations under finance lease contracts	928	1 058	43	348	380	288	-
	56 887	**68 795**	**8 917**	**6 096**	**25 653**	**18 028**	**10 100**

December 31, 2020 **RUB mln.**	**Carrying amount**	**Contractual cash flows**	**0–2 months**	**2–12 months**	**1–2 years**	**2–5 years**	**5+ years**
Non-derivative financial liabilities							
Secured bank loans	18 489	22 506	113	3 938	3 309	10 196	4 950
Unsecured borrowings	82	98	-	-	-	98	-
Debt securities issued	10 321	13 506	-	1 372	2 614	9 520	-
Trade and other payables	3 763	3 763	1 877	1 324	219	342	-
Obligations under finance lease contracts	1 111	1 306	27	347	374	558	-
	33 766	**41 179**	**2 016**	**6 982**	**6 517**	**20 714**	**4 950**

(iii) Market risk

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

- ***Currency risk***

As of December 31, 2021 the Group is not exposed to the significant currency risk.

- ***Interest rate risk***

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

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

	Carrying amounts	
RUB mln.	**2020**	**2019**
Fixed rate instruments		
Financial assets	410	217
Financial liabilities	(51 950)	(30 003)
	(51 540)	**(29 786)**

In particular, as of December 31, 2021, the above-mentioned fixed-rate financial liabilities include fixed-rate bank loans in which banks have the right to change interest rates due to changes in the key rate of the Central Bank of the Russian Federation. In case of disagreement with the rate level, the Group has the right to early repayment at face value without significant penalties.

Also included in the above financial obligations are credit lines for financing the Group's construction projects at a variable interest rate, adjusted depending on the volume of balances on escrow accounts. The loan rate includes two components: the base rate, which mainly depends on the key rate of the Central Bank of the Russian Federation, and the preferential rate applied to loan debt covered by escrow account balances.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial instruments as fair value through profit or loss. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss.

The sensitivity analysis of the increase in the key rate of the Central Bank of the Russian Federation from 8.5% as of December 31, 2021 to 20% is given in Note 32.

(d) Capital management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Group Management controls the capital structure, in particular the ratio of net debt to operating results. The procedure for calculating net debt amounts is given below.

In 2021 Group paid attention to make a balances credit facilities portfolio and had a target to reduce interest rates.

mln. RUB	2021	2020
Short-term loans and borrowings	7 900	4 134
Long-term loans and borrowings	44 050	25 869
Total loans and borrowings	**51 950**	**30 003**
Less cash on settlement accounts	(6 037)	(10 941)
Less cash on escrow accounts	(44 149)	(20 253)
Net debt	**1 764**	**(1 191)**
Results from operating activities	**10 036**	**13 272**
Finance costs	(2 757)	(1 972)
Net debt/Results from operating activities	**0,18**	**(0,09)**
Finance costs/total loans and borrowings	**5%**	**7%**

29 Contingencies

(a) Insurance

The Group insured construction and installation risks at several facilities for the period up to 2021-2023, the book value of reserves for which as of December 31, 2021 amounted to RUB 6,362 million. (as of December 31, 2020: RUB 8,999 million), as well as finished products with a book value of RUB 607 million. (as of December 31, 2020, no insurance contracts for finished products were concluded).

In 2021 and 2020, the Group's companies deducted amounts to the Fund for the Protection of the Rights of Shareholders in the percentage prescribed by Law in case of bankruptcy of Developers.

The Group does not take out professional indemnity insurance for risks associated for force majeure circumstances which may appear in relation to the buildings during the period from the date revenue is recognized to the date the title is registered to the buyer or the date of signing the transfer acts. The risk of losses for force majeure circumstances in this period is incurred by the Group itself.

(b) Litigations and claims

The Group is a defendant in several litigations, as a result of which the Group does not consider any significant negative impact on the Group, excluding those litigations on which a provision was accrued as of December 31, 2021 and as of December 31, 2020.

(c) Tax contingencies

Taxation system

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

Inspections and investigations regarding the correctness of the calculation of taxes are carried out by several regulatory bodies that have the right to impose large fines and charge penalties. The correctness of the calculation of taxes in the reporting period can be verified within the next three calendar years, however, under certain circumstances, this period may be extended. Recently, the practice in the

Russian Federation is such that the tax authorities take a tougher position in terms of interpretation and compliance with tax legislation.

These circumstances may lead to the fact that the tax risks in the Russian Federation will be much higher than in other countries. The Group's management, based on its understanding of the applicable Russian tax legislation, official explanations and court decisions, believes that tax liabilities are reflected in an adequate amount. However, the interpretation of these provisions by the tax and judicial authorities, especially in connection with the reform of the supreme judicial bodies responsible for resolving tax disputes, may be different and, if the tax authorities are able to prove the legitimacy of their position, this may have a significant impact on these consolidated financial statements.

(d) Warranties

According to effective Russian legislation, the Group is liable for the quality of the construction work performed under the concluded contracts for five years after the sale of the corresponding asset, with the exception of the technical and utilities equipment included in the asset. The warranty period for technical and utilities equipment is three years. With due account for the data of previous periods on immaterial warranty claims filed, the Group did not establish contingent liabilities on warranties on the work performed in these consolidated financial statements.

The warranty period during which the Group’s contractors are legally bound to eliminate defects is on average 5 years from the date final act of acceptance of construction works was signed with a contractor, from 2 to 2.5% of the total amount of liabilities under contracts with subcontractors is paid to them after 1 year from the date of final act of acceptance of construction works in case no defects were revealed as of date of act of acceptance.

30 Related party transactions

(a) Transactions with key management personnel and close family members

Key management personnel received the following remuneration during the year, which is included in personnel costs (refer to Note 9):

RUB mln.	**2021**	**2020**
Bonuses	90	124
Wages and salary	145	276
Contributions to social funds	42	58
	277	**458**

Remuneration of independent directors for 2021 amounted to RUB 27.9 million, including social taxes (2020: none).

(i) Transactions with other related parties under common control

Transactions with related parties are one-off in nature, and all settlements on transactions with related parties are to be made in cash within twelve months after the reporting date. All debt is unsecured.

Information on the Group’s transactions with other related parties is presented in the tables below.

(ii) Revenue

	Transaction value		Outstanding balances	
RUB mln.	**2021**	**2020**	**31 December 2021 года**	**31 December 2020 года**
Sales of parking slots	64	281	-	125
Sales of construction services	14	-	1	-
	78	**281**	**1**	**125**

(i) Purchase of goods and services

	Transaction value		Outstanding balances	
mln. RUB	**2021**	**2020**	**31 December 2021 года**	**31 December 2020**
Utility services for the Group's properties	38	85	(1)	(15)
Rent and other operations	28	52	(23)	(58)
	66	**137**	**(24)**	**(73)**

(iii) Loans

As of December 31, 2021 loans given by the Group to its related parties including personnel of the Group amounted to RUB 409 mln. (as of December 31, 2020: RUB 221 mln.).

As of December 31, 2021 loans received by the Group from its related parties amounted to RUB 8 mln. (as of December 31, 2020: RUB 82 mln.).

Most of both loans given and loans received are due for repayment till 2025. Interest rates are 4-10%.

30 Significant subsidiaries

Company	Country	Indirect interest	
		2021	**2020**
Management companies – sub-holding entities			
LLC SSP	Russia	100%	100%
Other subsidiaries	Russia		
LLC MRK Pioneer	Russia	100%	100%
LLC RDK Pioneer	Russia	100%	100%
JSC Moskvoretskoye	Russia	100%	100%
LLC Specilizirovany Zastroychik Moskovskaya Kompanya Pioneer	Russia	100%	100%
LLC Specilizirovany Zastroychik Pioneer-1	Russia	100%	100%
LLC Specilizirovany Zastroychik Life Paveletskaya	Russia	100%	100%
LLC Specilizirovany Zastroychik Business Park Ostankino	Russia	100%	100%
LLC Specilizirovany Zastroychik MFC Botanika	Russia	100%	100%
LLC Pioneer Development	Russia	100%	100%
LLC Botanichesky Sad	Russia	100%	100%

Company	**Country**	**Indirect interest**	
		2021	**2020**
LLC PIF Pioneer	Russia	100%	100%
LLC LendGrand	Russia	100%	100%
LLC Stroytelnaya Kompanya Pioneer	Russia	100%	100%
LLC Pioneer Nedvizhimost	Russia	100%	100%
LLC VERITAS-CITY	Russia	100%	100%

31 Subsequent events

At the beginning of 2022, a deposit of RUB 0.5 billion was paid for the purchase of plots in Moscow worth RUB 0.82 billion.

At the beginning of 2022, the Group repaid a corporate loan in the amount of RUB 3 billion.

In February 2022, the Group acquired promissory notes of one of the banks of the Russian Federation in the amount of RUB 3.4 billion, the interest rate was 9.32%. The promissory notes were pledged to secure previously issued bank guarantees to the Government of Moscow in connection with the government subsidies received (see Note 24).

In the last few days and weeks, following the special military operation undertaken by the Russian Federation in Ukraine, the United States of America, the European Union and some other countries have imposed additional tough sanctions against the Government of the Russian Federation, as well as large financial institutions and other enterprises and individuals in Russia. In addition, restrictions were imposed on the supply of various goods and services to Russian enterprises. As a response, the Government of the Russian Federation adopted a set of currency control measures, and the Central Bank of the Russian Federation raised the key rate to 20%. See also Notes 1 (b) and 2 (b) regarding the impact of these events on business conditions in the Russian Federation and on the continuity of the Group's activities.

Liquidity risk

The Group has no uncertainty about its ability to continue operating continuously for the foreseeable future. The Group conducts its activities in rubles and does not experience difficulties in working with banks that have been sanctioned.

Interest rate risk

Interest rate for the part of the Group's debt obligations in the amount of RUB 24.1 billion rubles as of December 31, 2021 depends on the key rate of the Central Bank of the Russian Federation. An increase in the key rate to 20 percent points will lead to an annual increase in interest expenses by RUB 2.5 billion on the assumption that debt obligations will remain at the same level as at December 31, 2021. At the same time, based on historical data, almost a half of interest expenses were capitalized in the cost of inventories (46% of interest expenses will be capitalized in 2021, 53% of interest expenses in 2020).

Credit risk

Due to the high share of mortgage sales, the Group does not expect an increase in overdue receivables as a result of delayed payment of its obligations by buyers. Escrow accounts are opened in certain banks under sanctions. Group expects the increase in credit risk for these banks relating to contract assets. At the moment, there is no need to recognize a significant additional amount of expected credit losses. However, at the moment it is not possible to quantify the corresponding financial effect.

Impairment

The described events are likely to lead to a decrease in the Group's revenue, as well as to an increase in the discount rate. At the date of approval of these consolidated financial statements, it is not possible to quantify the effect of potential impairment of inventories and investment property. At the moment, the Group is considering options for optimizing costs and stimulating demand.

Revenue

It should be expected that the Russian economy will suffer from the already imposed and potential future sanctions, which may negatively affect the Group's sales. At the moment, an increase in mortgage lending rates has been announced due to an increase in the key interest rate of the Central Bank of the Russian Federation. At the moment, it is not possible to quantify the corresponding financial effect.

Operating expenses

The Group's management expects that due to the high volatility of foreign exchange rates, the growth of inflation, the Group's operating expenses may increase in 2022. As of the date of approval of these consolidated financial statements, it is not possible to quantify the corresponding financial effect.

32 Base for evaluation

These consolidated financial statements have been prepared on the basis of historical (historical) cost.

33 Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

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 recognized 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 recognized amount (generally fair value) of the identifiable assets acquired less liabilities assumed

If this difference is expressed in a negative amount, then income from a profitable acquisition is immediately recognized as part of profit or loss for the period.

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

Transaction costs incurred by the Group as a result of the business combination, other than the costs associated with the issuance of debt or equity securities, are expensed as they arise.

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

(ii) Non-controlling interest

The charters of some subsidiaries incorporated as limited liability companies stipulate that in the event of a withdrawal by a participant the value of its interest should be paid out. As a result, the non-controlling interest in such subsidiaries are recognized within liabilities in the amount equal to a proportional share in net assets of subsidiaries calculated based on Russian accounting standards. Non-controlling interest for the amount of the difference between net identifiable assets calculated based on IFRSs and Russian accounting standards is recognized in equity. If the subsidiaries have negative net assets, no assets of the non-controlling interest are recognized.

The non-controlling interest is estimated as a proportion of identifiable net assets in subsidiaries. Movements in the non-controlling interest in limited liability companies are recognized in equity.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The 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.

Acquisition of a controlling interest in the capital of companies that do not perform operations, but instead act as the holders of an asset that was the acquisition target, are presented in accounts as the purchaser of the asset for the future use of the asset by the Group. The consideration paid to these companies is shown as the purchase price of the asset, net of other assets and liabilities identified during the acquisition and recognized at their fair value.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of additional paid-in capital. Any cash paid for the acquisition is recognized directly in equity.

(v) Loss of control

Upon the loss of control, the Group derecognizes 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 recognized 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.

(vi) Equity-accounted investments

Equity-accounted investments that the Group makes include investments in associated and joint ventures.

Entity is considered associated with the Group on condition that the Group can significantly influence financial and operational policy of such an entity. However the Group does not have either control or common control over financial and operational policy of such entities. Joint ventures are entities under common control where the Group has rights for share in net assets of such joint ventures. Group does not have rights for assets of such joint venture entities and does not bear their liabilities.

Shares in associated and joint ventures are equity-accounted at cost upon initial recognition. Cost includes all transactional costs incurred to make the investment.

Group's share in equity-accounted investment profit, loss or other comprehensive income is reflected in the consolidated financial statements of the Group.

This share is determined inclusive of all the accounting adjustments necessary to bring the accounting policy of the respective entity in compliance with the accounting policy of the group made since the moment significant influence or common control started to exist till the moment such significant influence or common control ceased to exist.

When the Group's share in losses of equity-accounted associate (joint venture) exceeds the Group's share in such associate's (joint venture's) share capital, the carrying value of the investment in such associate / joint venture is reduced to zero and further losses from the investment in the associate (joint venture) are not recognized by the group unless the Group took additional responsibility to cover the losses incurred by the associate (joint venture) or made payments on behalf of the associate (joint venture).

(vii) Transactions eliminated on consolidation

Внутригрупповые остатки и операции, а также нереализованные доходы и расходы от внутригрупповых операций элиминируются. Нереализованная прибыль по операциям с объектами инвестиций, учитываемыми методом долевого участия, исключается за счет уменьшения стоимости инвестиции в пределах доли участия Группы в соответствующем объекте инвестиций. Нереализованные убытки элиминируются в том же порядке, что и нереализованная прибыль, но лишь в той степени, пока они не являются свидетельством обесценения.

(b) Revenue

(i) Revenue from the sale of real estate properties

Revenues from sale of real estate properties comprise revenues from sale of flats, commercial real estate and parking slots which are constructed without reference to a specific customer's request.

If the contract concluded with customer does not provide for use of escrow account, the remuneration payable under such a contract is adjusted for the amount of the significant financing component that reflects the amount the customer would pay under the contract should such remuneration be paid in installments made as stage of project completion increases.

The transaction price under share-based construction agreements using escrow accounts (e.g. when funds from the buyer of real estate are transferred to a special account with an authorized bank), is determined taking into account savings on interest expenses as a result of a decrease in the base interest rate on project financing depending on the amount of funds deposited by customers on escrow accounts. Project finance funds borrowed by the Group at a decreased interest rate as a result of using escrow accounts is initially recognized at fair value.

As amount of funds from buyers deposited on escrow accounts in the authorized bank increase, the average interest rate under the loan agreement decreases, and the resulting savings in the interest rate are recognized as part of the transaction price. When registering a share-based construction agreement with customer, the Group calculates the savings as the difference between the base and decreased rates under the loan agreement accrued on the amount of accumulated payments under the agreements with customers for the entire term of the agreement, as a rule, until the date when funds on an escrow account become available to the Group. The interest saving calculation is made on the basis of contractual payments for share-based construction agreements, limited by the amount of funds planned for withdrawal in each forecast period for each escrow loan facility.

When the loan facility usage (withdrawal) and / or payment schedules under share-based construction agreements with customers change, or the level of interest rates changes, an adjustment is made to the savings amount (financial asset) recognized in accounting through finance income or expenses in the consolidated statement of profit or loss and other comprehensive income in the period when the change actually occurred.

The Group recognizes a financial asset related to the interest savings on project financing loans based on the projected withdrawal schedule for the loan, with a corresponding adjustment of the transaction price for the funds deposited to the escrow accounts, even if the funds under the loan have not yet been received. This financial asset is classified as accounted for at an amortized cost.

When real estate objects are sold under a share-based construction agreement using escrow accounts, the buyer's payment to such an account is not recognized by the Group in the consolidated statement of financial position. Revenue is determined using the stage of completion of the fulfillment of the contract liability with the simultaneous recognition of the asset under the contract. The contract asset is reclassified into accounts receivable when the Group meets the conditions that allow it to transfer the funds deposited on escrow accounts to Group's own bank accounts. Upon receipt of funds from escrow accounts on the Group's accounts, the receivables are settled, and the remainder of the unrecognized transaction price is included in liabilities under contracts with customers.

Non-cash consideration is measured at the fair value of the assets or services received.

The approach to determining the amount of revenue under real estate sale agreements and other types of agreements for sale of real estate in buildings that have been put into operation is similar to the approach defined for share-based construction agreements.

The costs incurred to obtain and conclude contracts, including real estate services, liability insurance and registration of equity participation agreements, as well as contributions to the fund for the protection of the rights of individuals concluding shared-based construction agreements, are recognized in commercial and administrative expenses as revenue from contracts with customers is recognized.

Revenue is recognized as control is transferred to the customer.

The Group estimates the significant component of financing arising from the effect of time value of money, taking into account the discount rate that would be applied for a separate financing transaction between the Group and the customer at the time of conclusion of the contract. A significant financing component is included in the total transaction price and included in the revenue recognized in the period as the stage of completion increases.

In cases where the sale of real estate in multi-apartment residential complexes is carried out in accordance with the requirements of Federal Law 214-FZ, according to which the developer has the right to receive the full amount of remuneration promised under the contract, and if the construction was completed without violating the conditions of the share-based construction agreement, and a participant in shared-based construction agreement does not have the right for unilateral refusal to perform the contract out of court, revenue is recognized over time as the stage of contract execution increases.

The Group uses the input method to estimate the stage of fulfillment of a contract obligation based on the actual costs incurred against total planned costs.

The cost of acquiring land plots and construction of infrastructure and social and cultural facilities is excluded from both actual and total planned costs and is recognized in the cost of sales of the period as control over the real estate property is transferred to the buyers.

(ii) Revenue from the sale of construction services

Revenue from construction contracts includes construction services that are specifically requested by the customer.

Gains and expenses from construction contracts are recognized in the consolidated statement of profit or loss and other comprehensive income over the period using the input method to estimate the stage of fulfillment of the contract obligation.

Contract costs are recognized when incurred. The estimated loss on the contract is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

(iii) Document execution services

Revenues under service contracts on the registration of titles to apartments are recognized on the date of registration of title.

(iv) Rental income

Rental income is recognized monthly based on the concluded rent agreements on a straight-line basis over the term of the rent. Lease incentives given are recognized as an integral part of the total rental income, over the term of the rent. Rental income is accounted for in revenue, if the Group performs these activities regularly and plans to make them for a long period.

Rental income for premises located on the land plot for construction and which are to be demolished is accounted for in other income. Income is decreased for expenses for maintenance of such premises.

(c) Finance income and expense

Finance income includes interest income on invested funds, gain on disposal of financial assets, exchange rate differences, release of the discount accrued at initial recognition and a significant component of financing by installment payments from customers. Interest income is recognized in profit or loss for the period as it is accrued using the effective interest rate (EIR) method.

Finance costs include interest expense on loans and borrowings, loss on disposal of financial assets, release of the discount recognized on initial recognition of a financial instrument, release of a discount on reserves, a significant financing component on advances received from customers, and recognized impairment losses of financial assets.

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

Interest expenses, the release of discounts on loans and payables, and a significant financing component of advances received from customers are capitalized into the cost of inventories, which are qualifying assets, which take a significant amount of time to prepare for sale. These assets mainly included costs incurred and recorded in inventories for the acquisition of land plots, land lease rights, changes in the type of permitted use of land, as well as costs incurred by the Group for the construction of infrastructure and social and cultural facilities.

Capitalization of financial expenses is carried out in the following order: first of all, interest expenses on target loans and borrowings for the land are capitalized, as well as a discount on accounts payable related to the acquisition of land, its lease rights and for changing the type of permitted use of land. Secondly, interest expense on target loans and borrowings to finance projects and a significant financing component on advances received from buyers are capitalized. Thirdly, interest expenses and discounts on loans and borrowings received for general purposes are capitalized.

Capitalization of financial expenses in stocks begins from the date of receipt of the urban development plan of the land plot and ends at the time of commissioning of the constructed facilities.

Gains and losses from changes in foreign exchange rates are recorded net as finance income or finance expense, depending on whether the net amount is positive or negative.

(d) Functional currency

Transactions in foreign currencies are translated to the functional currency of the Group's entities (Russian ruble) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Foreign currency differences arising in translation are recognized in profit or loss.

(e) Employee benefits

(i) Short-term benefits

When determining the amount of the obligation in respect of short-term employee benefits, discounting is not applied, the corresponding expenses are recognized as employees fulfill their work duties. An obligation is recognized with respect to amounts expected to be paid under a short-term bonus or profit sharing plan if the Group has a valid legal or constructive obligation to pay the corresponding amount that arose as a result of the employee's employment in the past, and the amount of this obligation can be reliably estimated.

(ii) Contributions to social funds

Obligations for contributions to defined contribution pension plans are limited by contributions to social funds and are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(f) Income tax

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

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, assessed using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognized 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 recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, unused 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 realized.

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.

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.

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

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In 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. Tax liabilities include estimated additional taxes including penalties. There estimate is based on calculations and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgments 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.

When determining the amount of current and deferred income tax, the Group takes into account the impact of uncertain tax positions and the possibility of additional taxes and fines and penalties for late payment of tax. Income tax liabilities include possible additional charges assessed by management, taking into account penalties. Their assessment is based on calculations and assumptions and may involve the formation of a number of professional judgments regarding the impact of future events. Over time, new information may become available to the Group, in connection with which the Group may need to change its judgments regarding the adequacy of existing tax obligations. Such changes in the amount of tax liabilities will affect the amount of tax for the period in which these judgments have changed.

(g) Inventories

Real estate objects acquired or under construction/developed for sale in the ordinary course of business are reflected in the Group as part of the item "Inventories".

Inventories include construction in progress on which the Group acts as a client and/or developer, funds invested in raw materials and consumables and finished products.

As part of the construction in progress, investment rights are also taken into account, which include the costs of acquiring land, preparation of the land plot for construction and developing project documentation.

Real estate objects where the leasing of an object is not the ultimate goal, but only a necessary component of the preparation of the real estate object for sale and contains the Group's intentions to sell these objects within its normal operating cycle are reflected under the item "Inventories". These objects at the construction stage are reflected as part of the costs under the article "Construction in progress", after commissioning - under the article "Finished products".

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

When testing construction in progress for impairment, the expected future cash flows are discounted to their present value using a pre-tax discount rate reflecting the current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

The cost of real estate is determined on the basis of individual costs for a real estate object. These costs are distributed to the constructed apartments and non-residential premises in proportion to their area. The cost of real estate includes construction costs and other expenses directly related to a specific development project.

When carrying out construction, the Group may assume the following additional obligations:

- to transfer certain real estate objects to local authorities free of charge upon completion of their construction, for example, parts of the areas in apartments and commercial premises;
- to build certain infrastructure and socio-cultural facilities in exchange for obtaining a building permit, for example, roads, electrical substations and power grids, water supply and sewerage systems, highways, schools, kindergartens, landscaping embankments, etc;
- to build certain public facilities for which it is assumed that the compensation to be received from buyers will not reimburse the Group for the costs of their construction, for example, parking spaces.

If the conclusion of such contracts is part of the process of acquiring certain investment rights and these contracts are not considered as separate burdensome contracts, the costs of their construction are included in the total cost of construction of the building to which these obligations relate.

The total cost of construction includes construction costs (direct and indirect). Also included are the cost of acquiring land and/or its lease rights, the costs of changing the type of permitted use of land, the amount of accrued reserves in terms of the above expenses and other burdensome contracts for the degree of completion of each building, these costs are not included in the calculation of the degree of completion and are written off to the cost price in terms of meters sold.

The Group distributes all general construction costs, unprofitable contracts and costs for the construction of infrastructure and socio-cultural facilities among the objects in proportion to the areas sold.

The cost of inventories, except for the objects of funds invested in the construction of real estate and construction in progress, intended for sale, is calculated using the weighted average cost formula and includes the costs incurred for the acquisition of inventories and bringing them to their current state.

The operational cycle of a construction project can exceed twelve months, because project inventories are included in current assets, even if they are not expected to be realized within twelve months after the reporting date.

The management of the Group considers the date of the beginning of active development to be the receipt of the urban development plan of the land plot.

(h) Fixed assets

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

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 recognized net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

The cost of replacing a major component of an item of property, plant and equipment increases the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is written-off. The costs of the day-to-day servicing of property, plant and equipment are recognized 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.

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

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows in years:

- showrooms and inseparable improvements of leased premises 6-10;
- other buildings 40;
- nets 25;
- office equipment, furniture, cars 3-5.

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

(i) Intangible assets

Intangible assets acquired by the Group and having a finite useful life are carried at cost less accumulated depreciation and impairment losses.

Subsequent costs are capitalized in the value of a particular asset only if they increase the future economic benefits contained in this asset. All other costs, including those related to self-created brands and goodwill, are recognized in profit or loss for the period as incurred.

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortization is recognized in profit or loss 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 estimated useful lives of intangible assets for the current and comparative periods are as follows in years:

- software 3-5;
- video clips 5.

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

(j) Investment property

Investment property includes real estate property, which is used for rental income or income from the growth in its value.

Investment property is initially accounted for at its cost. After its initial recognition investment property is accounted for at fair value. Income or loss as a result of changes in fair value of investment property is recognized in profit or loss for the period.

(k) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they start to exist. All other financial assets and liabilities are initially recognized when the Group enters into a contractual relationship to which those instruments are related.

A financial asset (if it is not a trade receivable that does not contain a significant financing component) or a financial liability is initially measured at fair value, and for an item not measured at fair value through profit or loss, plus the amount of transaction costs that are directly attributable to its purchase or emission. Trade receivables that do not contain a significant financing component are initially measured at the transaction price cost.

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

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

A financial asset is measured at amortized cost only if the asset meets both of the following conditions and is not classified at the Group's discretion as measured at fair value through profit or loss:

- the asset is held within a business model whose purpose is to hold assets to collect contractual cash flows, and
- the contractual terms provide for cash flows generation according to a predefined schedule that are payments of principal and interest on the principal amount outstanding.

An investment in a debt instrument is measured at fair value through other comprehensive income if the instrument meets both of the following conditions and is not classified, at the Group's discretion, as measured at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms provide for cash flows generation according to a predefined schedule that are payments of principal and interest on the principal amount outstanding.

All financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income, as described above, are measured at fair value through profit or loss.

The Group assesses the purpose of the business model under which the asset is held at the portfolio level as this best reflects the way the business is run and information is provided to management. The following information is considered:

- the policies and objectives established for this portfolio, as well as the effect of these policies in practice, including a strategy for obtaining interest income stipulated by the contract, maintaining a certain structure of interest rates, ensuring that the maturity of financial assets matches the maturity of financial liabilities used to finance these assets, or expected cash outflows, or the generation of cash flows through the sale of assets;
- how the performance of the portfolio is assessed and how this information is communicated to the management of the Group;
- the risks affecting the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- how the personnel responsible for managing the portfolio are remunerated (for example, whether the remuneration is based on the fair value of the specified assets or on the contractual cash flows received from the assets);
- the frequency, volume and timing of past sales of financial assets, the reasons for such sales, and expectations regarding future sales.

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

Financial assets held for trading or under management and the performance of which is assessed based on fair value are measured at fair value through profit or loss.

The following accounting is applied to the subsequent measurement of financial assets:

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

(iii) Non-derivative financial liabilities

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held for trading, is a derivative, or is classified as such by the entity on initial recognition.

Financial liabilities measured at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss arising on derecognition is also recognized in profit or loss.

Cash under share-based construction agreements received on escrow accounts is not recognized in the Group's accounting until the contractual obligations required to transfer money from escrow accounts to Group’s own accounts are fulfilled. Project finance received by the Group at a decreased interest rate as a result of escrow accounts use is measured at fair value upon initial recognition.

(iv) Derecognition – financial liabilities

The Group derecognizes a financial liability when the contractual obligations are settled, canceled or terminated. The Group also derecognizes a financial liability when its terms are modified and the cash flows of that modified liability differ materially, in which case the resulting new financial liability based on the modified terms is recognized at fair value.

Upon derecognition of a financial liability, the difference between the carrying amount repaid and the consideration paid (including any non-monetary assets transferred or liabilities assumed) is recognized in profit or loss.

The Group derecognizes a financial liability when its terms change in such a way that the cash flows of the modified liability change significantly. In this case, the new financial liability with modified terms is recognized at fair value. Any difference between the carrying amount of the initial financial liability and the new financial liability with modified terms is recognized in profit or loss.

If the modification of conditions (or replacement of a financial liability) does not result in derecognition of a financial liability, the Group applies an accounting policy consistent with the approach for adjusting the gross carrying amount of a financial asset in cases where the modification of conditions does not result in derecognition of the financial asset – e.g. the Group recognizes any adjustment to the amortized cost of the financial liability resulting from such modification (or replacement of the financial liability) in profit or loss at the date of the modification (or replacement of the financial liability).

Changes in the amount of cash flows on existing financial liabilities are not considered a modification of the terms if they are a consequence of the current terms of the agreement, for example, changes in interest rates due to changes in the key rate of the Central Bank of the Russian Federation, if the corresponding loan agreement provides for the ability of the banks to change interest rates and the Group has the right to early repayment at nominal value without significant penalties.

Changes in the interest rate to market levels in response to changes in market conditions are accounted for by the Group in a manner similar to that for floating rate instruments, e.g. the interest rate is revised prospectively.

(v) Derecognition – financial assets

The Group derecognizes a financial asset when it loses the contractual rights to the cash flows generated by the financial asset or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks are transferred to the other party and benefits associated with ownership of this financial asset, or in which the Group neither transfers nor retains a significant part of all risks and rewards of ownership of this financial asset, but does not retain control over the financial asset.

(vi) Offsetting

Financial assets and financial liabilities are offset and presented in the consolidated statement of financial position net only when the Group currently has a legally enforceable right to offset the recognized amounts and intends to either settle them on a net basis or realize the asset and fulfill the obligation at the same time.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(m) Impairment

(i) Non-derivative financial assets

Financial instruments and contractual assets

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

- financial assets measured at an amortized cost; and
- contract assets.

The Group estimates the allowance for losses at an amount equal to the ECL for the entire period, except for the following instruments for which the amount of the allowance will be recognized equal to 12-month expected credit losses:

- debt securities, if it was determined that they have low credit risk as of the reporting date; and
- other debt securities and bank balances for which 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.

Loss allowances for trade receivables and contract assets are always be measured at an amount equal to lifetime expected credit losses. The allowance for impairment of receivables is used to record impairment losses, unless the Group is confident that an amount cannot be recovered and records it directly as a decrease in the value of the related financial asset.

In assessing whether there has been a significant increase in the credit risk of a financial asset since initial recognition, and in assessing ECL, the Group considers reasonable and reliable 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 past experience and sound assessment of credit quality, and includes forward-looking information.

The Group makes an assumption that the credit risk of a financial asset has increased significantly if it is overdue by more than 30 days.

A financial asset is classified by the Group as financial asset for which a default event occurred in the following cases:

- маловероятно, что заемщик погасит свои кредитные обязательства перед Группой в it is unlikely that the borrower will repay its loan obligations to the Group in full without the Group applying such measures as selling collateral (if any); and
- the financial asset is more than 90 days overdue.

Lifetime ECL is ECL that arises from all possible default events over the expected life of a financial instrument.

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

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

ECL estimation

Expected credit losses are an estimate weighted based on the likelihood of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive.

Credit losses are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses financial assets at amortized cost and debt securities at fair value through other comprehensive income for credit impairment. A financial asset is "credit impaired" when one or more events occur that adversely affect the estimated future cash flows of that financial asset.

Credit impairment of a financial asset is evidenced by, in particular, the following observable data:

- significant financial difficulties of the borrower or issuer;
- violation of the terms of the contract, such as default or delay in payment for more than 90 days;
- restructuring by the Group of a loan or advance payment on terms that it would not otherwise consider;
- the emergence of the likelihood of bankruptcy or other financial reorganization of the borrower; or
- the disappearance of an active market for the security as a result of financial difficulties.
- carrying amount of those assets.

For debt securities at fair value through other comprehensive income, a loss allowance is charged to profit or loss and is recognized in other comprehensive income.

Write-offs

The full carrying amount of a financial asset is written off when the Group has no reason to expect that the financial asset will be recovered in full or in part. For businesses, the Group makes an individual assessment of the timing and amounts of write-offs based on reasonable expectations of reimbursement. The Group does not expect significant recoveries of the amounts written-off. However, written-off financial assets may continue to be subject to enforcement in order to comply with the Group's procedures for recovering amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories and deferred tax assets, are reviewed at each reporting date to determine if there is any indication that they are impaired. If any such indication exists, the recoverable amount of the related asset is calculated. For goodwill and those intangible assets that have an indefinite useful life or are not yet ready for use, the recoverable amount is calculated at the same time each year.

For impairment testing purposes, assets that cannot be tested individually are grouped into the smallest group that generates cash inflows from the continuous use of the related assets, largely independent of other assets or CGUs.

Subject to the constraint that the testing level cannot be higher than the operating segment level, for the purpose of testing for impairment of goodwill, those CGUs to which goodwill has been allocated are aggregated so that the impairment test is carried out at the lowest level, at which goodwill is tracked for internal reporting purposes. Goodwill acquired in the business combination is allocated to the CGU groups that are expected to benefit from the synergies in the business combination.

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

The recoverable amount of an asset, or CGU, is the higher of the asset's (unit's) value in use and its fair value less costs to sell. In calculating 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 recognized when the carrying amount of the asset or CGU to which the asset belongs exceeds its recoverable amount.

Impairment losses are recognized in profit or loss for the period. An impairment loss on a CGU is first credited to the deduction of the carrying amount of goodwill allocated to the relevant CGU (or group of CGUs) and then proportionally to a decrease in the carrying amount of other assets in that CGU (group of CGUs).

Amounts written-off for impairment losses for goodwill are not reversed. For other assets, an impairment loss recognized in a prior period is reviewed at each reporting date in order to identify indications that the amount of this loss should be reduced or that it should no longer be recognized.

Amounts written-off for impairment losses are reversed if there has been a change in the estimates used to calculate the recoverable amount. An impairment loss is reversed only to the extent that the assets are restored to their carrying amount at which they would have been carried (less accumulated depreciation) if no impairment loss had been recognized.

(n) Provisions

A provision is recognized when, as a result of a past event, the Group has a legal or constructive obligation that can be measured reliably and an outflow of economic benefits to settle the obligation is probable. The amount of the provision is determined by discounting the expected cash flows at a post-tax rate that reflects current market assessments of the time value of money and the risks inherent in the liability. Amounts reflecting discount amortization are recognized as finance costs.

(i) Onerous contracts

A provision for onerous contracts is recognized if the expected benefits to the Group from its fulfillment are less than the unavoidable costs of meeting obligations under the relevant contract. This provision is measured at its present value, the lower of the expected cost to terminate the contract and the net cost of the expected cost to continue to meet the contractual obligations. Before making a provision, the Group recognizes all impairment losses on assets attributable to the contract.

(ii) Provisions for construction of infrastructure

According to urban planning standards and city regulations , the Group assumes obligations for the construction of social and cultural facilities and infrastructure that are not transferred to common ownership. As each house is built, the Group includes in the construction cost all costs of such properties, even if they have not yet been incurred, and recognizes a provision for infrastructure construction.

Estimates of future costs are allocated to properties under construction and sold in proportion to their area sold and are recognized based on the stage of completion of each block based on the present value of the estimated unavoidable net costs required to complete the construction of such infrastructure.

(iii) Guarantee provisions

The Group undertakes a warranty obligation in the amount of the difference between the expected costs of warranty repairs and the amount of warranty deductions from the Group's contractors. As each house is built, the Group includes in the construction cost all expected warranty costs in excess of the contractors' warranty deductions, even if they have not yet been incurred, and recognizes a provision for warranty obligations.

Estimates of future costs are allocated to properties under construction and sold on a pro rata basis to their area sold and are recognized based on the stage of completion of each building based on the present value of the estimated unavoidable net costs required to meet the warranty.

(iv) Litigation provision

A provision is recognized when it is highly probable that the Group will lose the litigation in which the Group is the defendant and it becomes necessary to settle the liability.

(o) Leasing

At the time of inception of the contract, the Group assesses whether the contract as a whole or its individual components is a lease. A contract is a lease or contains a lease component if the contract transfers the right to control the use of an identified asset for a specified period of time in exchange for consideration.

(i) Group as a lessee

The portfolio of lease agreements consists primarily of lease agreements for land plots for development with residential real estate projects for sale, buildings and premises, equipment and vehicles. Upon commencement or modification of a contract that contains a lease component, the Group allocates the contractual consideration to each lease component based on its relative stand-alone price. However, for some leases of real estate, the Group has chosen not to separate the non-lease components and to account for the lease components and the corresponding non-lease components as one component of the lease.

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is the original amount of the lease liability, adjusted for lease payments made at or prior to the commencement of the lease, increased by initial direct costs incurred and the estimated cost to be incurred on dismantling and the movement of the underlying asset, or the restoration of the underlying asset or the site in which it is located, less incentive lease payments received.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement of the lease, discounted using the interest rate implicit in the lease or, if such rate cannot be readily determined, using the Group's incremental borrowing rate, adjusted depending on the rental period.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including essentially fixed payments;

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date of the lease;
- amounts expected to be paid by the lessee under the residual value guarantee;
- exercise price of the call option, if there is sufficient confidence that the Group will exercise this option, lease payments during the additional lease period arising from the existence of an option to renew the lease, if there is sufficient confidence that the Group will exercise this option to extend the lease and penalties for early termination of the lease, unless there is reasonable assurance that the Group will not terminate the lease early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured if future lease payments change due to a change in index or rate, if the Group changes its assessment of whether it will exercise a call option, an option to renew or terminate a lease, or if a lease payment that is essentially fixed is renegotiated.

When the lease liability is renegotiated in this way, an adjustment is made to the carrying amount of the right-of-use asset or is charged to profit or loss if the carrying amount of the right-of-use asset was previously reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities under loans and borrowings in the consolidated statement of financial position.

The Group chose not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments made under such agreements as an expense on a straight-line basis over the lease term.

When accounting for lease agreements for land plots for the construction of real estate, the Group applies the following principles:

- a lease agreement, as a rule, is concluded initially for a period of 3 to 5 years with the right of its subsequent extension;
- contracts under which rental payments are increased annually in accordance with the base rates and coefficients and / or depend on the cadastral value, i.e. can be unilaterally changed by the lessor, are considered unpredictable in amount, respectively - variable, and are reflected as they accrue;
- payments for changing the type of permitted land use under lease agreements are recognized as lease-related costs and included in the calculation of the lease asset and liability;
- the lease term used in the calculations corresponds to the lease term, during which the contract cannot be terminated unilaterally. The Group also takes into account the right to renew and early termination of the contract, which the Group will exercise with reasonable certainty. This takes into account the construction period of the facilities on the respective leased land plots and the Group's investment strategy.

An asset in the form of the right to use land plots under construction is included in the construction cost depending on the stage of completion of each building. Other lease assets are amortized on a straight-line basis from the commencement of the lease until the end of the lease term and are included in administrative expenses for administrative leases and as cost of sales for production leases.

(p) Earnings per share

The Group provides information on basic and diluted earnings on its ordinary shares. Basic earnings per share 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 year, adjusted by the number of treasury shares repurchased.

Diluted earnings per share are determined by adjusting the amount of profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the number of treasury shares repurchased, taking into account the effect of all dilutive potential ordinary shares.

(q) Government grants

The Group receives government grants in the form of deferral benefits with subsequent release from the payment of rent and debts for changing the type of permitted use of land, as well as accrued interest on this debt. The basis for receiving benefits is the Group's participation in the implementation of investment projects to create jobs in Moscow.

If the Management of the Group has reasonable assurance that, as of the reporting date and in the future, the Group is in compliance with the conditions for granting government grants, land lease and land change liabilities are classified as deferred short-term income with the subsequent recognition of these incomes in reduction of the cost of investment projects to create places of employment as the proceeds from the implementation of these projects are recognized.

If there is no reasonable certainty, the debt is reflected in accounts payable, and interest is accrued on this debt in the manner prescribed by the lease agreements.

Комиссии за банковские гарантии, выданные в обеспечение задолженности по аренде земли и являющиеся неотъемлемым условием получения льгот, отражаются в уменьшение суммы льгот.

Commissions relating to bank guarantees issued as a collateral for land rent and which are the condition to receive government grants are accounted as a decrease in the amount of government grants.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities that may generate revenue and incur expenses, including revenue and expenses related to transactions with other components of the Group. The operating results of all operating segments are regularly reviewed by the Group's management in order to make decisions on the allocation of resources between the segments and to assess their financial results in relation to each operating segment.

The group represents one operating segment.

34 New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2021, with early adoption permitted. However, the Group did not make an early transition to the new and amended standards in the preparation of these consolidated financial statements.

(a) Onerous Contracts - Contract Performance Costs (Amendments to IAS 37)

The amendments clarify what costs an entity includes in determining the amount of contract performance costs in order to assess whether the contract is onerous. These amendments apply for annual periods beginning on or after 1 January 2022 for contracts that exist at the date of first application of the amendments.

At the date of initial application, the cumulative effect of the application of the amendments is recognized as an adjustment to the balance of retained earnings at the beginning of the period or other components of equity as appropriate. Comparative figures are not restated.

(b) Deferred tax relating to Assets and Liabilities arising from a single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the exemption at initial recognition to exclude transactions that give rise to equal and mutually compensating temporary differences, for example, in leases or decommissioning obligations. The amendments apply to annual reporting periods beginning on or after January 1, 2023. For leases and decommissioning, the related deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other equity component at that date. For all other transactions, the amendments are applied to transactions that occur after the start of the earliest submitted period.

The Group accounts for deferred tax in respect of leases and decommissioning obligations using an "interrelated" approach, which results in results similar to the amendments, except that the effect of deferred tax is presented in the consolidated statement of financial position in its net form. In accordance with the amendments, the Group will separately recognize a deferred tax asset and a deferred tax liability. As at December 31, 2021 the taxable temporary difference in respect of the right-of-use asset is RUB 741 million, and the deductible temporary difference in respect of the lease obligation is RUB 928 million (Note 26), resulting in a net deferred tax asset of RUB 37 million. In accordance with the amendments, the Group will present a separate deferred tax liability in the amount of RUB 148 million and a deferred tax asset in the amount of RUB 185 million. The adoption of the amendments will not have any impact on retained earnings.

(c) Other

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

- Lease concessions related to the COVID-19 pandemic affecting periods after December 31, 2021 (Amendment to IFRS 16).
- Annual improvements to IFRS, period 2018-2020 - various standards.
- Fixed assets: receipts before intended use (Amendments to IFRS (IAS) 16) "Fixed assets").
- References to the Conceptual Framework of Financial Statements (amendments to IFRS 3).
- Classification of liabilities as short-term or long-term (Amendments to IFRS (IAS) 1.
- IFRS 17 "Insurance Contracts".
- Disclosure of accounting policies (Amendments to IFRS (IAS) 1 and Practical Recommendations 2 on IFRS).
- Definition of accounting Estimates (Amendments to IAS 8).