PJSC LSR Group

Consolidated financial Statements for the year ended 31 December 2018 and Independent Auditors' Report

Contents

Independent Auditors' Report

To the Shareholders and the Board of Directors of PJSC LSR Group

Opinion

We have audited the consolidated financial statements of PJSC LSR Group (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, 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' *Code of Ethics for Professional Accountants* (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.

Adoption of IFRS 15	
Please refer to Notes 3 (p) and 12 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group early adopted IFRS 15 *Revenue from Contracts with Customers* with a date of initial application of 1 January 2017 and applied the standard retrospectively. Application of IFRS 15 significantly impacted the recognition of revenue in the LSR Real Estate segment under share participation agreements. In particular: - the Group adjusted the promised amount of consideration received from customers in advance for a significant financing component; - effective 1 July 2018 as a result of changes in legal practice, revenue under all share participation agreements irrespective of the date of their conclusion, is recognized over time. The effect of these changes has been reflected prospectively in the consolidated financial statements. Before 1 July 2018 revenue under share participation agreements was recognized either at a point in time or over time depending on whether they were concluded before or after 1 January 2017, respectively. The adoption of IFRS 15 is a Key Audit Matter due to: - complexity of relevant local legislation and IFRS 15 requirements and significance of their impact on timing and amount of recognized revenue; - high level of judgment involved and technical complexity of underlying calculations; - absence of developed industry practice.	Among other procedures, we tested controls over budgeting for construction and development costs to evaluate the reliability of costs to complete and expected construction schedules used by the Group's management in measuring progress towards satisfaction of performance obligation when recognizing revenue over time. We also assessed the underlying calculations supporting the amounts of revenue and significant financing component prepared by the Group performing the following procedures: - on a sample basis we compared input data used in the calculations to underlying contracts; - we assessed whether the discount rates used by the Group reflect the credit characteristics of the party receiving financing in a contract, and whether the rates determined at contract inception has been applied consistently throughout the duration of the contract; - we evaluated the accuracy of the calculations performed by the Group. We also considered the adequacy of the Group's disclosures in Notes 3 (p) and 12.

<table>
<tr><th colspan="2">Valuation of inventories of Development</th></tr>
<tr><td colspan="2">Please refer to Notes 3 and 17 in the consolidated financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group's inventories are represented by real estate items both under construction and completed.

In the consolidated financial statements, the inventories (finished goods and work in progress) are stated at the lower of cost and net realisable value which is the forecast selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

The valuation of inventories is a Key Audit Matter due to:
- the size of the inventory balance, which relates to development and
- the level of judgment involved to evaluate management's assessment of the net realizable value of those inventories.</td><td>Among other procedures, we tested the controls over budgeting for construction and development costs, including approval of project budgets, inspection and authorization of subsequent changes to project budgets, to evaluate the reliability of costs to complete used by the Group's management in assessing the net realizable value of inventories.

We assessed the calculation of the net realizable value prepared by the Group to determine the allowance for obsolete inventory by performing the following procedures:
- challenging the Group's forecast selling prices by comparing on a sample basis the forecast selling prices to actual selling prices and list prices for comparable premises as published by competitors and real estate agents in subsequent periods;
- in the absence of historical data, assessing the reasonableness of the Group's forecast prices by comparing them to current prices for similar items of residential property;
- evaluating the reasonableness of the Group's forecast construction costs per square meter by comparing them to the construction costs incurred by the Group for similar units on other sites.

The above analysis was performed separately for the following groups of Inventory:
- elite projects with unique location;
- mass market development objects;
- parking places;
- infrastructure.

We focused on the sites with lower turnover that are considered most sensitive to the Group's assumptions.</td></tr>
</table>

Valuation of property, plant and equipment and goodwill	
Please refer to Notes 3 (l) and 14 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group's business activities include production of building materials and provision of construction services. This part of the Group accounts for 67% of the Group's property, plant and equipment, 61% of the Group's goodwill and include six cash-generating units. IAS 36 "Impairment of Assets" requires the recoverable amount of goodwill to be estimated annually. The impairment of goodwill and property, plant and equipment is a Key Audit Matter due to the level of judgment involved in our evaluation of management's impairment analysis and increased estimation uncertainty in respect of the abovementioned units driven by the current economic environment.	We involved our own valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group. Among others, our audit procedures included: - analysing the Group's internal budgeting process and assessing the relevant controls including budget approval and analysis of budget execution; - assessing the historical accuracy of the Group's previous forecasts to support our evaluation of forecasts incorporated in the discounted cash flow model; - evaluating the principles and the integrity of the Group's discounted cash flow model; - a comparison by our valuation specialists of the Group's assumptions on revenue growth, projected profit margins and discount rates to the market and industry trends using externally derived data as well as our own assessments. We also considered the adequacy of the Group's disclosures in Notes 3 (l) and 14.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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:

Sergey Kharichkin
JSC "KPMG"
Moscow, Russia
19 March 2019

mln RUB	**Note**	**2018**	**2017**
Revenue	12	146,376	138,494
Cost of sales		(104,848)	(104,553)
Gross profit		41,528	33,941
Distribution expenses		(7,211)	(5,671)
Administrative expenses	7	(9,392)	(8,910)
Other income	8	131	3,373
Other expenses	8	(258)	(289)
Results from operating activities		24,798	22,444
Finance income	10	2,755	2,200
Finance costs	10	(6,466)	(4,356)
Profit before income tax		21,087	20,288
Income tax expense	11	(4,857)	(4,417)
Profit for the year		16,230	15,871
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		520	(88)
Total comprehensive income for the year		16,750	15,783

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 17 to 85.

mln RUB	**Note**	**2018**	**2017**
Profit attributable to:			
Shareholders of the Company		16,227	15,866
Non-controlling interest		3	5
Profit for the year		16,230	15,871
Total comprehensive income attributable to:			
Shareholders of the Company		16,747	15,778
Non-controlling interest		3	5
Total comprehensive income for the year		16,750	15,783
Basic and diluted earnings per share	21	159.33 RUB	154.51 RUB

These consolidated financial statements were approved by management on 19 March 2019 and were signed on its behalf by:

M.Y. Sokolov
Chief Executive Officer

D.V. Kutuzov
Chief Financial Officer

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 17 to 85.

mln RUB	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	23,867	28,280
Intangible assets	14	4,092	4,262
Other investments	15	955	503
Deferred tax assets	16	2,862	2,836
Trade and other receivables	18	1,163	1,455
Total non-current assets		32,939	37,336
Current assets			
Other investments	15	1,330	421
Inventories	17	137,360	154,308
Contract assets, trade and other receivables	18	32,093	29,774
Cash and cash equivalents	19	55,798	29,713
Total current assets		226,581	214,216
Total assets		259,520	251,552

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 17 to 85.

mln RUB	Note	31 December 2018	31 December 2017
EQUITY AND LIABILITIES			
Equity	20		
Share capital		35	35
Treasury shares		(2,073)	-
Share premium		26,408	26,408
Additional paid in capital		16,859	16,824
Foreign currency translation reserve		408	(112)
Retained earnings		42,726	34,562
Total equity attributable to shareholders of the Company		84,363	77,717
Non-controlling interest		(10)	(28)
Total equity		84,353	77,689
Non-current liabilities			
Loans and borrowings	22	74,755	68,172
Deferred tax liabilities	16	4,317	3,332
Trade and other payables	24	8,813	13,684
Provisions	23	81	60
Total non-current liabilities		87,966	85,248
Current liabilities			
Loans and borrowings	22	11,333	4,614
Contract liabilities, trade and other payables	24	71,910	82,659
Provisions	23	3,958	1,342
Total current liabilities		87,201	88,615
Total liabilities		175,167	173,863
Total equity and liabilities		259,520	251,552

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 17 to 85.

mln RUB	2018	2017 (as recalculated)
OPERATING ACTIVITIES		
Profit for the year	16,230	15,871
Adjustments for:		
Depreciation and amortisation	2,429	2,812
Gain on disposal of property, plant and equipment	(57)	(67)
Loss on disposal of subsidiaries	258	-
Portion of excess of fair value over purchase price of assets*	181	1,405
Capitalized interest, including significant financing component in respect of prepayments from customers, recognized in cost of sales	8,969	10,184
Significant financing component in respect of prepayments from customers recognized in revenue	(7,725)	(9,013)
Net finance costs	3,711	2,156
Impairment of goodwill	23	-
Income tax expense	4,857	4,417
Operating profit before changes in working capital and provisions	28,876	27,765
Decrease in inventories net of non-cash items	15,629	9,388
Increase in contract assets, trade and other receivables	(3,130)	(8,387)
Decrease in contract liabilities, trade and other payables	(10,224)	(25,142)
Decrease in provisions	(903)	(266)
Cash flows from operations before income taxes and interest paid	30,248	3,358
Income taxes paid	(4,675)	(2,898)
Interest paid	(5,487)	(4,725)
Cash flows from / (utilised by) operating activities	20,086	(4,265)

* Portion of excess of fair value over purchase price of land plot acquired from entities under common control and revaluation of assets, included in cost of development object, which was sold in the period and recognised at cost of sales.

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 17 to 85.

mln RUB	2018	2017 (as recalculated)
INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	1,306	256
Interest received	938	616
Acquisition of property, plant and equipment	(1,189)	(1,408)
Decrease / (increase) in restricted cash	6	(8)
Acquisition of intangible assets	(5)	(1)
Loans given	(2,244)	(1,579)
Loans repaid	514	2,336
Disposal of subsidiaries	1,639	-
Cash flows from investing activities	965	212
FINANCING ACTIVITIES		
Proceeds from borrowings	105,932	158,662
Proceeds from bonds	-	10,000
Repayment of borrowings	(92,702)	(152,415)
Payment of finance lease liabilities	(51)	(56)
Payment of outstanding balance for own shares	(692)	(38)
Dividends paid	(7,984)	(8,036)
Cash flows from financing activities	4,503	8,117
Net increase in cash and cash equivalents	25,554	4,064
Cash and cash equivalents at the beginning of the year	29,713	25,630
Effect of exchange rate fluctuations on cash and cash equivalents	531	19
Cash and cash equivalents at the end of the year (note 19)	55,798	29,713

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 17 to 85.

mln RUB	Attributable to shareholders of the Company								
	Share capital	**Treasury share reserve**	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2017	35	(1,404)	26,408	16,824	(24)	26,653	68,492	(33)	68,459
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	15,866	15,866	5	15,871
Other comprehensive loss									
Foreign currency translation differences for foreign operations	-	-	-	-	(88)	-	(88)	-	(88)
Total comprehensive income for the year	-	-	-	-	(88)	15,866	15,778	5	15,783
Transactions with owners recorded directly in equity									
Treasury shares acquired	-	(38)	-	-	-	-	(38)	-	(38)
Treasury shares sold	-	1,442	-	-	-	79	1,521	-	1,521
Dividends to shareholders	-	-	-	-	-	(8,036)	(8,036)	-	(8,036)
Balance at 31 December 2017	35	-	26,408	16,824	(112)	34,562	77,717	(28)	77,689

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 17 to 85.

mln RUB	**Attributable to shareholders of the Company**								
	Share capital	**Treasury share reserve**	**Share premium**	**Additional paid in capital**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2018	35	-	26,408	16,824	(112)	34,562	77,717	(28)	77,689
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	16,227	16,227	3	16,230
Other comprehensive income									
Foreign currency translation differences for foreign operations	-	-	-	-	520	-	520	-	520
Total comprehensive income for the year	-	-	-	-	520	16,227	16,747	3	16,750
Transactions with owners recorded directly in equity									
Disposal of subsidiaries	-	-	-	35	-	-	35	15	50
Treasury shares acquired	-	(2,096)	-	-	-	(79)	(2,175)	-	(2,175)
Treasury shares sold	-	23	-	-	-	-	23	-	23
Dividends to shareholders	-	-	-	-	-	(7,984)	(7,984)	-	(7,984)
Balance at 31 December 2018	35	(2,073)	26,408	16,859	408	42,726	84,363	(10)	84,353

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 17 to 85.

Notes to the Consolidated Financial Statements………………………...…………………...Page

1 Background

(a) Organisation and operations

PJSC LSR Group (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian limited liability and joint stock companies as defined in the Civil Code of the Russian Federation, and companies located in other countries. The Company's shares are traded on the London Stock Exchange and Moscow Exchange.

The Company's registered office is at 36B Kazanskaya Street, Floor 4, Office 32-N (18), Suite 404, Saint Petersburg, 190031, Russia.

The Group's principal activities include real estate development, prefabricated panel construction, contracting, subcontracting and engineering services in civil and industrial construction, extraction of sand and clay, production of crushed granite, ready-mix concrete and mortars, reinforced concrete, bricks, aerated concrete, transportations and crane rental services. The Company primarily operates in the following geographic markets: Saint Petersburg, the Leningrad region, Moscow and Yekaterinburg.

The Group's significant subsidiaries are detailed in note 30.

The Group is ultimately controlled by an individual, Andrey Molchanov. Related party transactions are detailed in note 29.

(b) Russian 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.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

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

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

The Group additionally presents the consolidated financial statements in Russian language in accordance with the Federal law #208-fz "On consolidated financial reporting".

This is the first set of the Group's financial statements where IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2(e).

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

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

All financial information is presented in the Russian Rouble and has been rounded to the nearest million, except if otherwise indicated.

(d) Use of estimates and judgments

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies are described in the following notes:

- Note 3 – useful lives of property, plant and equipment;
- Note 12 – revenue;
- Note 14 – impairment;
- Note 17 – inventories;
- Note 18 – allowances for trade receivables;
- Note 23 – provisions (for site finishing and environment restoration; warranty and litigation; for unprofitable contracts; for social infrastructure);
- Note 28 – contingencies.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised 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) (refer to note 4).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised 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 recognises transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

(e) Change in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all years presented in these consolidated financial statements.

IFRS 9 Financial Instruments

The Group has initially adopted IFRS 9 Financial *Instruments* from 1 January 2018. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The transition to IFRS 9 did not have a significant impact neither on the Group's opening balance of retained earnings, nor on the carrying amounts of financial assets at 1 January 2018.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 mostly retains the existing requirements of IAS 39 in terms of the classification of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies and measures financial instruments, treats modifications and accounts for related gains and losses under IFRS 9, see Note 3.

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

mln RUB	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Loans and other receivables	Loans and receivables	Amortised cost	15,562	15,562
Cash and cash equivalents	Loans and receivables	Amortised cost	29,713	29,713
Other investments	Held to maturity	Amortised cost	28	28
Total financial assets			45,303	45,303

Changes in accounting policy as a result of application of IFRS 9 were generally applied retrospectively, except for the cases specified below:

- the Group took advantage of the exemption to avoid restatement of comparative data for prior years with respect to changes in classification and measurement (including impairment) of financial instruments;
- based on the facts and circumstances prevailing at the date of initial application, the business model according to which the financial asset is held has been determined.

IAS 7 Statement of Cash Flows

The Group enters into credit agreements that imply maintaining certain cash balances in the bank accounts as the clause. The Group pays interest on credit agreements and receives interest on bank account deposits.

Prior to 1 January 2018, the Group has reflected these transactions in the Consolidated Statement of Cash Flows in the following way. The interest received has been reflected in investing activities in the line “interest received”. Interest paid has been reflected in operating activities in the line “interest paid”.

Starting from 1 January 2018 the Group has changed the presentation and decided to reflect the interest paid and interest received in operating activities in the line “interest paid” on the net amount.

The comparative periods were recalculated respectively.

The Group believes that the new presentation gives more accurate view on its Consolidated Statement of Cash Flows.

The effects on Consolidated Statement of Cash Flows were as follows:

mln RUB	2018	2017
OPERATING ACTIVITIES		
Decrease in interest paid	1,359	1,472
INVESTING ACTIVITIES		
Decrease in interest received	(1,359)	(1,472)

IFRS 15 Revenue from Contracts with Customers

In 2018 the Group has identified that some of its insurance and agent fees expenses qualify for IFRS 15.91-93 as contract assets. Therefore, the Group capitalizes those expenses as part of Work in progress, construction of buildings and recognizes in cost of sales based on the stage of completion. The effect on the financial statements is not significant.

3 Significant accounting policies

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

(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 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. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

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

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

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

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

Any contingent consideration payable is recognised 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 recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

(iii) 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 at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their carrying amounts in the financial statements of the entities transferred. If these companies previously have not prepared IFRS financial statements, assets and liabilities are determined in accordance with IFRS1. Any difference between the book value of net assets acquired and consideration paid is recognised as a contribution from, or distribution to, shareholders.

(iv) Acquisitions and disposals of non-controlling interests

Any difference between the consideration paid to acquire a non-controlling interest, and the carrying amount of that non-controlling interest, is recognised as a contribution from or a distribution to shareholders.

Any difference between the consideration received upon disposal of a minority portion of the Group's interest in a subsidiary, and the carrying amount of that portion of the Group's interest in the subsidiary, including attributable goodwill, is recognised as a distribution to, or a contribution from, shareholders.

(v) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currencies

(i) Foreign currency transactions

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUB at the weighted average exchange rate for the year which approximates the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Since 1 January 2005, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the statement of profit or loss and other comprehensive income as part of profit or loss on disposal.

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

(c) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and measurement of financial assets and financial liabilities – policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

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

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

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

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

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

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

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

value of the assets managed or the contractual cash flows collected; and

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

The following accounting policies apply to the subsequent measurement of financial assets.

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

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

(iii) Derecognition – policy applicable from 1 January 2018

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

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

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

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

(iv) Offsetting

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

(v) Impairment of financial assets

The impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

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

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

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's.

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

Presentation of impairment

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

For debt securities at FVOCI, the loss allowance is recognised in other comprehensive income.

Impairment losses on other financial assets are presented under 'finance costs', and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations.

(vi) Write off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when the financial asset is 3 years past due based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off.

Policy applicable before 1 January 2018

Non-derivative financial instruments

Non-derivative financial instruments comprised investments in equity and debt securities, contract assets, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group initially recognised loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss and other comprehensive income) were recognised initially on the trade date at which the Group became a party to the contractual provisions of the instrument.

The Group derecognised a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred to right to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset were transferred. Any interest in transferred financial assets that was created or retained by the Group was recognised as a separate asset or liability.

Financial assets and liabilities were offset and the net amount presented in the statement of financial position when, and only when, the Group had a legal right to offset the amounts and intended either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments were recognised initially at fair value plus, for instruments not at fair value through profit or loss and other comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments were measured as described below.

The Group had the following non-derivative financial assets: loans, contract assets and receivables.

Loans, contract assets and receivables

Loans, contract assets and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans, contract assets and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans, contract assets and receivables comprised contract assets, trade and other receivables and loans issued.

Cash and cash equivalents comprised cash balances and call deposits with original maturities of three months or less. Bank overdrafts that were repayable on demand and form an integral part of the Group's cash management were included as a component of cash and cash equivalents for the purpose of statement of cash flows.

Other

Other non-derivative financial instruments were measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

The Group initially recognised debt securities issued on the date that they were originated. All other financial liabilities were recognised initially on the trade date at which the Group became a party to the contractual provisions of the instrument.

The Group derecognised a financial liability when its contractual obligations were discharged or cancelled or expired.

Financial assets and liabilities were offset and the net amount presented in the statement of financial position when, and only when, the Group had a legal right to offset the amounts and intended either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group had a legally enforceable right to set off if that right was not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

The Group had the following non-derivative financial liabilities: loans and borrowings, bank overdrafts and trade and other payables.

Such financial liabilities were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities were measured at amortised cost using the effective interest method.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit of the transaction is transferred to/from retained earnings.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land, are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

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

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

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

(ii) Reclassification of owner occupied property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain or loss on remeasurement is recognised in equity.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss and other comprehensive income as incurred.

(iv) Depreciation

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

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

- Buildings 20 to 50 years;
- Machinery and equipment 5 to 29 years;
- Transportation equipment 8 to 20 years;
- Other fixed assets 5 to 20 years.

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

(f) Intangible assets

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition refer to note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in the statement of profit or loss and other comprehensive income 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 the future economic benefit s embodied in the asset.

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

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position. Acquired rights to lease of land for development are recognised at cost in inventory or investment property under development.

(h) Investment property under development

Investment property under development consists of plots of land, wholly or partly owned by the Group or leased to the Group, on which commercial properties are being, or will be, built. These properties will be leased to third parties on completion.

Investment property under development consists of two components: land and buildings. Land and buildings are measured at fair value with any change therein recognised in the statement of profit or loss and other comprehensive income.

In the absence of current prices in an active market, the fair values of investment property under development are established by considering the aggregate of the estimated cash flows expected to be received from renting out the property less the estimated costs, including developer's profit margin, to complete the individual projects to the stage where they could be marketed. Discount rate that reflects the specific risks inherent in the net cash flows is applied to the net annual cash flows to arrive at the property valuation.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. In the case when investment property forms part of a larger property unit, it is distinguished on the basis of the area which it occupies in the total area of the property unit. Investment property is measured at fair value with any change therein recognised in the statement of profit or loss and other comprehensive income.

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

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Contract assets and liabilities

The contract assets relate to the Group's right for consideration for work completed but not billed at the reporting date on participant agreements and construction contracts. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when an advance consideration becomes due based on participant agreement schedule. The contract liabilities primarily relate to the advance consideration received from customers under participant agreements.

The contract assets and contract liabilities are offset and the net amount is presented in the statement of financial position on the particular participant agreements basis.

Impairment losses related to contract assets are recognised by the Group based on “expected credit losses” model (see note 3 (c) (v)).

(l) Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit, or CGU”). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU’s to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The Group’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

Goodwill that forms part of the carrying amount of an investment in associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(m) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in statement of profit or loss and other comprehensive income. Gains are not recognised in excess of any cumulative impairment loss. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

(n) Employee benefits

Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an expense in the statement of profit or loss and other comprehensive income when they are due.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Provisions

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

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data.

(ii) Site and environment restoration

In accordance with the Group's environmental policy and applicable statutory requirements, provision is made for the Group's obligation to incur additional costs including costs associated with clean up the surrounding area after sand extraction and finishing the construction of apartment building. The related expense is recognised in the statement of profit or loss and other comprehensive income.

(iii) Litigation provision

A provision is recognized, if the probability is high that the Group will lose lawsuit in which the Group is a defendant, and there will be a need (requirement) to settle the obligation.

(iv) Provision for unprofitable contracts

A provision is recognized in the amount of the expected loss when the expected revenue is less than the planned costs of completion.

(v) Provision for social infrastructure

Provision is recorded in respect of the obligation to construct social infrastructure.

(p) Revenues

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties, adjusted for variable considerations (e.g. discounts) and the significant financing component, which reflects the price that a customer would have paid for the promised goods when (or as) they are transferred to the customer. Revenue is recognised when the control is transferred to a customer.

The Group estimates significant financing component at contract inception using an interest rate that would be reflected in a separate financing transaction between the entity and its customer. Interest expense recognized as a result of adjusting for the effect of the significant financing component is regarded as borrowing costs, as prepayments received under share participation agreements are considered specific borrowings.

The significant financing component is capitalised in the cost of land plots, on which construction objects are being built.

The timing of the transfer of control – satisfaction of performance obligation varies depending on the individual terms of the contract.

The major part of the Group’s revenue is contracted under share participation agreements.

Before 1 January 2017 for the share participation agreements performance obligation is being satisfied upon completion of construction, when the building is approved by State commission for acceptance of finished buildings.

Starting 1 January 2017 amended № 214-FZ Federal Law is effective. The change in the legislation made the share participation agreements non-cancellable. As a result, the revenue under share participation agreements signed starting 1 January 2017 has been recognized over time, based on the contracts' stage of completion.

In 2018, after the Consolidated Interim Financial Statements for the six-month period ended 30 June 2018 were published, the Group has identified the legal practice that has proved that all the share participation agreements are non-cancellable, even those, signed prior to 1 January 2017.

As a result, the revenue under all share participation agreements has been recognized over time, based on the contracts' stage of completion. This new significant fact was accounted perceptively, starting 1 July 2018.

The Group applies input method to measure progress towards satisfaction of performance obligations as costs incurred relative to the total expected inputs. Costs of land plots are excluded from both incurred and expected inputs and are recognized in cost of sales based on the same measure of progress as revenue.

(ii) Services

Revenue from services, rendered by the Group's companies is recognised in the statement of profit or loss and other comprehensive income over time, applying the input method to measure progress towards satisfaction of performance obligation when it is possible under standard IFRS 15.

(iii) Construction contracts and designing

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the statement of profit or loss and other comprehensive income over time, applying the input method to measure progress towards satisfaction of performance obligation. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

An expected loss on a contract is recognised immediately in the statement of profit or loss and other comprehensive income.

(q) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease rights received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant annual rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the statement of profit or loss and other comprehensive income as incurred.

(r) Finance income and finance costs

The Group's finance income and finance costs include interest income, interest expense, dividend income, the net gain or loss on the disposal of investments in debt securities measured at FVOCI, the net gain or loss on financial assets at FVTPL, the foreign currency gain or loss on financial assets and financial liabilities, impairment losses (and reversals) on investments in debt securities carried at amortised cost or FVOCI, the fair value loss on contingent consideration classified as a financial liability.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

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

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses are reported on a net basis.

(s) Income tax expense

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(t) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis.

(v) New Standards and Interpretations not yet adopted

A number of new Standards, *amendments to Standards* and Interpretations are not yet effective as at 31 December 2018, and have not been applied in preparing this consolidated financial statements. The Group plans to adopt these pronouncements when they become effective. Of these pronouncements, potentially the following will have an impact on the Group's operations.

- IFRS 16 replaces the existing lease accounting guidance in IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

  The standard is effective for annual periods beginning on or after 1 January 2019.

  It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

  Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

  The Group has started an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the year of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

  So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of land plots for development purposes. Based on the information currently available, the Group estimates that it will recognize additional lease liabilities of RUB 6,692 million and derecognize accounts payable for lease payments of RUB 4,837 million as at 1 January 2019. Additional lease liabilities will be presented as part of other payables in the Group's consolidated interim financial statements for the period ended 30 June 2019.

  The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on liabilities.

  Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach.

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual years beginning after 1 January 2019. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Determination of fair values

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

(a) Property, plant and equipment

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

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation (via application of discounted cash flow method), and obsolescence.

(b) Investment property and investment property under development

The fair value of investment property and the investment property under development is based on valuations, performed by independent valuation companies, who hold recognized and relevant professional qualifications and who have recent experience in the location and category of the investment property being valued. The valuations are based primarily on comparable rents, discount rates, yields and sales prices from recent market transactions on an arm's lengths basis, using the Discounted Cash Flow technique for investment property under development and market approach for investment property, undertaken according to the requirements of the United Kingdom's Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

(c) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-year excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(d) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(e) Investments in equity and debt securities

The fair value of financial assets measured at amortised cost or measured at fair value through profit or loss and other comprehensive income is determined by reference to their quoted closing bid price at the reporting date. The fair value of financial assets measured at amortised cost is determined for disclosure purposes only. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same.

(f) Contract assets, trade and other receivables

The fair value of contract assets, trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(g) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

The Group has five reportable segments as described below which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately, because they require different technology and marketing strategies. The format of reporting segments is based on Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other assets and revenue, interest-bearing loans, borrowings, and corporate assets, liabilities and expenses.

(a) Operating segments

The following summary describes the operations in each of the Group's segments:

LSR. Building Materials. The building materials business units are engaged in the production of brick, concrete and reinforced concrete items, ready-mix concrete, aerated concrete blocks, crushed stone production, land-based and marine-dredged sand extraction. These business units are located in Saint Petersburg, Leningrad region and Moscow.

LSR. Construction. The construction business units specialize in panel construction, providing of construction contracting services, transportation of construction materials. These business units are located in Saint Petersburg, Moscow, and Ural region.

LSR. Project management. Business units specialize in providing of construction contracting services. This business unit is located in Saint Petersburg.

LSR. Cranes. Business unit specialize in providing of tower cranes services. This business unit is located in Saint Petersburg.

LSR. Real Estate. The Real Estate business units specialize in the development of elite, mass-market and business class residential real estate and commercial real estate. These business units are located in Saint Petersburg, Moscow, Ural region and Germany.

There are varying levels of integration between the *LSR. Building Materials*, *LSR. Construction* and *LSR. Real Estate* reportable segments. This integration includes transfers of raw materials and services, respectively. Inter-segment pricing is determined on an arm's length basis. The accounting policies of the reportable segments are the same as described in notes 2 and 3.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The operations of the Group are conducted and managed primarily in North-West region, Moscow, Ural and in Germany, where the production facilities and sales offices of the Group are located. The Group has also operations in Ukraine, the volume of which is not significant to total operations of the Group. Accordingly, no geographical segmental information is presented.

The Group has aerated concrete production facilities in Ukraine. Net assets of Ukrainian subsidiary amounts to 1.72% of total net asset of the Group (31 December 2017: 1.42%) and adjusted EBITDA equals to 1.97% of adjusted EBITDA of the Group (year ended 31 December 2017: 2.10%). Ukraine is currently suffering from political and economic crisis, combined with social unrest and regional tensions. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst management believes it is taking appropriate measures to support the sustainability of the Group's Ukrainian subsidiary's business in the current circumstances, a continuation of the current unstable business environment could negatively affect the subsidiary's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the subsidiary. The future business environment may differ from management's assessment.

(b) Major customers

Revenues from the largest customer of the Group represents approximately RUB 4,392 million (year ended 31 December 2017: RUB 2,103 million).

Revenue from the next four significant customers of the Group amounts approximately to RUB 6,004 million (year ended 31 December 2017: RUB 4,029 million).

(i) Operating segments

For the year ended 31 December 2018 mln RUB	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Revenue from external customers	17,163	1,515	5,151	885	116,585	277	141,576
Inter-segment revenue	1,981	19,630	92	121	7	-	21,831
Total segment revenue	19,144	21,145	5,243	1,006	116,592	277	163,407
Segment result	2,758	224	(33)	(12)	26,212	-	29,149
Depreciation/amortisation	1,242	541	1	149	191	305	2,429
Capital expenditure	627	215	1	2	90	92	1,027

For the year ended 31 December 2017 mln RUB	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Revenue from external customers	16,542	3,281	1,464	859	111,216	272	133,634
Inter-segment revenue	820	25,056	3	213	-	-	26,092
Total segment revenue	17,362	28,337	1,467	1,072	111,216	272	159,726
Segment result	5,002	301	(95)	78	20,542	-	25,828
Depreciation/amortisation	1,569	650	1	169	173	250	2,812
Capital expenditure	431	210	1	3	153	348	1,146

As at 31 December 2018 **mln RUB**	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Segment assets, excluding net financial position*	20,101	7,666	2,731	869	220,289	-	251,656
Segment liabilities, excluding net financial position*	5,615	5,186	1,745	210	95,263	-	108,019
Net financial position*	5,993	(3,193)	1,092	(168)	59,438	22,926	86,088

As at 31 December 2017 **mln RUB**	**LSR. Building Materials**	**LSR. Construction**	**LSR. Project management**	**LSR. Cranes**	**LSR. Real Estate**	**Other entities**	**Total**
Segment assets, excluding net financial position*	23,359	11,507	3,526	1,041	201,163	-	240,596
Segment liabilities, excluding net financial position*	5,455	9,537	3,034	188	100,950	-	119,164
Net financial position*	5,802	(2,850)	382	(100)	46,778	22,774	72,786

* Net financial position is debt of the Group allocated to Operating Segments. Net financial positions is calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.

Reconciliations of reportable segment revenues, profit, assets and liabilities and other material items

Revenue

mln RUB	**2018**	**2017**
Total revenue for reportable segments	163,407	159,726
Other revenue	570	2,606
Transportation revenue	4,230	2,254
Elimination of intersegment revenue	(21,831)	(26,092)
Consolidated revenue	146,376	138,494

Profit for the year

mln RUB	**2018**	**2017**
Total segment result	29,149	25,828
Other result	(459)	286
Unallocated expenses and income, net	(3,892)	(3,670)
Finance income	2,755	2,200
Finance costs	(6,466)	(4,356)
Income tax expense	(4,857)	(4,417)
Profit for the year	16,230	15,871

Assets

mln RUB	**31 December 2018**	**31 December 2017**
Segment assets, excluding net financial position	251,656	240,596
Elimination of intersegment assets	(6,197)	(7,992)
Unallocated assets	14,061	18,948
Total assets	259,520	251,552

Liabilities

mln RUB	31 December 2018	31 December 2017
Segment liabilities, excluding net financial position	108,019	119,164
Elimination of intersegment liabilities	(24,327)	(23,508)
Consolidated loans and borrowings	86,088	72,786
Unallocated liabilities	5,387	5,421
Total liabilities	175,167	173,863

Other material items

mln RUB	2018	2017
Capital expenditure	1,027	1,146
Elimination of intersegment purchases	(50)	(15)
Consolidated capital expenditure	977	1,131

6 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

During the year ended 31 December 2018 and the year ended 31 December 2017 the Group has not acquired any subsidiaries.

(b) Disposal of subsidiaries

During the year ended 31 December 2018 the Group has disposed subsidiaries, as management has decided to focus on projects with highest return on invested capital and on real estate development projects.

In March 2018 the Group sold 100.00% shares AO “PO “Barrikada” (before 2018 was known as AO “LSR.Zelezobeton-SZ”) to third party and lost control over subsidiary. The company is engaged in production of reinforced concrete in Saint Petersburg and Leningrad region.

The disposal of the subsidiary has the following effect on the Group's assets and liabilities at the date of disposal.

Carrying amounts at the date of disposal	mln RUB
Non-current assets	
Property, plant and equipment	868
Goodwill	17
Deferred tax assets	26
Current assets	
Inventories	232
Trade and other receivables	59
Cash and cash equivalents	5
Non-current liabilities	
Deferred tax liability	(33)
Current liabilities	
Trade and other payables	(153)
Net identifiable assets, liabilities and contingent liabilities would be disposed (including goodwill)	1,021
Excess of book values of net assets sold over consideration received	(421)
Consideration	600
Cash and cash equivalents to be disposed	(5)
Net consideration inflow	595

In April 2018 the Group sold 100.00% shares LLC "DSK-Progress (before March 2018 was known as OOO "LSR.Stroitelstvo-M"), including its 59.11% share in OAO "Zavod ZhBI-6", to third party and lost control over subsidiaries. The companies are engaged in construction activities in Moscow and Moscow region.

The disposal of the subsidiaries has the following effect on the Group's assets and liabilities at the date of disposal.

Carrying amounts at the date of disposal	mln RUB
Non-current assets	
Property, plant and equipment	587
Goodwill	11
Deferred tax assets	305
Current assets	
Inventories	292
Assets under construction contracts recognized over time	1,320
Income tax receivable	1
Cash and cash equivalents	156
Non-current liabilities	
Deferred tax liability	(24)
Current liabilities	
Liabilities under construction contracts recognized over time	(1,670)
Short-term provisions	(1)
Net identifiable assets, liabilities and contingent liabilities would be disposed (including goodwill)	977
Non-controlling interest in disposal subsidiaries	14
Excess of consideration received over book values of net assets sold	209
Consideration	1,200
Cash and cash equivalents to be disposed	(156)
Net consideration inflow	1,044

During the year ended 31 December 2017 the Group has not disposed any subsidiaries.

7 Administrative expenses

mln RUB	**2018**	**2017**
Wages and salaries	5,168	5,241
Services	1,018	960
Overhead expenses on finished projects	867	575
Social expenditure	807	525
Taxes other than profit tax	447	452
Depreciation and amortisation	235	240
Materials	143	185
Insurance	24	319
Other administrative expenses	683	413
	9,392	8,910

8 Other income and expenses

mln RUB	**2018**	**2017**
Other income:		
Gain on disposal of other assets	58	3,092
Gain on disposal of property, plant and equipment	57	67
Other income	16	214
Total other income	131	3,373
Other expenses:		
Loss on disposal of subsidiaries	(258)	-
Other expenses	-	(289)
Total other expenses	(258)	(289)
Net other (expenses) / income	(127)	3,084

9 Total personnel costs

mln RUB	**2018**	**2017**
Wages and salaries:		
Cost of sales	6,664	8,224
Administrative expenses	5,168	5,241
Distribution expenses	269	304
	12,101	13,769

10 Finance income and finance costs

mln RUB	**2018**	**2017**
Recognised in profit or loss		
Finance income		
Interest income	2,297	2,088
Unwind of discount	171	13
Foreign exchange gain	169	98
Interest income (significant financing component)	112	-
Gain from write off financial liabilities / recovery of financial assets	6	-
Other finance income	-	1
	2,755	2,200
Finance costs		
Interest expense	(5,113)	(4,260)
Interest expense (significant financing component)	(1,120)	-
Change in allowance recognised for doubtful debts	(188)	(54)
Foreign exchange loss	(36)	(30)
Unwind of discount	(4)	(8)
Loss from write off financial assets / recovery of financial liabilities	-	(4)
Other financial expenses	(5)	-
	(6,466)	(4,356)
Net finance costs recognised in profit or loss	(3,711)	(2,156)
Recognised in other comprehensive income		
Finance income / (costs)		
Foreign currency translation differences for foreign operations	520	(88)
Finance income / (costs) recognised in other comprehensive income, net of tax	520	(88)
Attributable to:		
Equity holders of the Company	520	(88)

In addition to borrowing costs recognised as an expense during the year ended 31 December 2018, interest in the amount of RUB 1,843 million (31 December 2017: RUB 2,037 million) has been capitalized using a capitalization rate of 8.91% (31 December 2017: 10.33%) as part of the objects under construction.

In addition to interest expense (significant financing component), recognized as finance costs during the year ended 31 December 2018, interest expense in the amount of RUB 908 million (31 December 2017: RUB 3,208 million) has been capitalized as part of the objects under construction.

In addition to unwind of discount on long-term payables for land plots and lease rights, recognized as finance costs during the year ended 31 December 2018, unwind of discount in the amount of RUB 1,455 million (31 December 2017: RUB 1,529 million) has been capitalized as part of the objects under construction.

11 Income tax expense

mln RUB	**2018**	**2017**
Current tax expense		
Current year	4,163	3,444
Deferred tax expense		
Origination and reversal of temporary differences	694	973
Income tax expense	4,857	4,417

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20.00% (2017: 20.00%).

Reconciliation of effective tax rate:

	2018		**2017**	
	mln RUB	**%**	**mln RUB**	**%**
Profit for the year	16,230	77	15,871	78
Income tax expense	4,857	23	4,417	22
Profit before income tax	21,087	100	20,288	100
Income tax at applicable tax rate	4,217	(20)	4,058	(20)
Non-taxable income	(464)	2	(150)	1
Non-deductible expenses	1,171	(6)	834	(4)
Current year (reversals of losses) losses for which no deferred tax asset was recognised	-	-	117	(1)
Tax incentives	(67)	0	(442)	2
Total income tax expense for the year	4,857	(24)	4,417	(22)

12 Revenue

The following table provides a breakdown of the Group's revenue based on timing of satisfaction of its performance obligations – over time or at the point in time.

mln RUB	**2018**	**2017**
Revenue recognized over time under share participation agreements (refer to note 3 (p) (i))	95,307	34,965
Revenue recognized over time under long-term construction contracts (refer to note 3 (p) (ii) and (iii))	6,475	4,212
Revenue recognized over time under automated services contracts, (refer to note 3 (p) (ii))	724	683
Total revenue recognised over time	102,506	39,860
Total revenue recognized at a point in time	43,870	98,634
Total revenue	146,376	138,494

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

mln RUB	31 December 2018	31 December 2017
Contract assets	9,974	10,793
Contract liabilities	(43,063)	(57,718)

The contract assets relate to the Group's right for consideration for work completed but not billed at the reporting date on participant agreements and construction contracts. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customers under participant agreements. For breakdown of contract liabilities by type of contracts, see note 24.

Significant changes in the assets and liabilities balances during the year are as follows:

	31 December 2018		31 December 2017	
mln RUB	Assets under the contracts	Liabilities under the contracts	Assets under the contracts recognized over time	Liabilities under the contracts recognized over time
Increase / (decrease) due to cash received, excluding amount recognized as revenue during the year	819	31,064	(496)	21,266
Revenue recognized that was included in the contract liability balance at the beginning of the year	-	45,719	-	1,907

The remaining aggregate amount of the transaction price allocated to the performance obligations under share participation agreements that are unsatisfied or partially unsatisfied as of the end of the reporting year and are expected to be recognized within the next two to three years equals to RUB 64,543 million.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

13 Property, plant and equipment

mln RUB	Land and buildings	Machinery and equipment	Transpor-tation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2017	25,520	19,375	4,064	1,807	736	51,502
Additions	381	308	87	134	221	1,131
Disposals	(33)	(343)	(237)	(36)	(51)	(700)
Reclassifications to / from inventories	(188)	20	-	-	(9)	(177)
Transfers and reclassifications	179	170	2	26	(377)	-
Effect of movements in exchange rates	(18)	(53)	(5)	(1)	(5)	(82)
At 31 December 2017	25,841	19,477	3,911	1,930	515	51,674
At 1 January 2018	25,841	19,477	3,911	1,930	515	51,674
Additions	78	347	93	102	357	977
Disposals	(414)	(711)	(279)	(953)	(58)	(2,415)
Business disposals	(1,262)	(2,755)	(154)	(77)	(10)	(4,258)
Reclassifications from / (to) inventories	(682)	(1)	-	-	-	(683)
Transfers and reclassifications	13	65	(12)	2	(68)	-
Effect of movements in exchange rates	194	148	14	3	14	373
At 31 December 2018	23,768	16,570	3,573	1,007	750	45,668
Depreciation and impairment losses						
At 1 January 2017	(5,451)	(12,180)	(2,953)	(684)	-	(21,268)
Depreciation charge	(817)	(1,537)	(314)	(97)	-	(2,765)
Disposals	20	258	221	34	-	533
Reclassifications to / from inventories	59	1	-	-	-	60
Transfers and reclassifications	10	(2)	-	(8)	-	-
Effect of movements in exchange rates	16	26	2	2	-	46
At 31 December 2017	(6,163)	(13,434)	(3,044)	(753)	-	(23,394)
At 1 January 2018	(6,163)	(13,434)	(3,044)	(753)	-	(23,394)
Depreciation charge	(761)	(1,217)	(235)	(172)	-	(2,385)
Disposals	261	617	203	56	-	1,137
Business disposals	573	2,028	127	72	-	2,800
Reclassifications from / (to) inventories	168	1	-	-	-	169
Transfers and reclassifications	(1)	(16)	17	-	-	-
Effect of movements in exchange rates	(44)	(76)	(7)	(1)	-	(128)
At 31 December 2018	(5,967)	(12,097)	(2,939)	(798)	-	(21,801)
Net book value						
At 1 January 2017	20,069	7,195	1,111	1,123	736	30,234
At 31 December 2017	19,678	6,043	867	1,177	515	28,280
At 31 December 2018	17,801	4,473	634	209	750	23,867

During the year ended 31 December 2018 depreciation expense of RUB 2,118 million has been charged in cost of goods sold (31 December 2017: RUB 2,471 million), RUB 60 million in distribution expenses (31 December 2017: RUB 86 million) and RUB 205 million in administrative expenses (31 December 2017: RUB 206 million).

(a) Impairment

Property, plant and equipment were tested for impairment; the basis for impairment is disclosed in note 14.

(b) Security

Properties with a carrying amount of RUB 6,096 million are subject to a registered debenture to secure bank loans (31 December 2017: RUB 8,151 million) (refer to note 22).

Properties with a carrying amount of RUB 64 million are pledged to secure payments under the purchase contracts with payments by instalments. (31 December 2017: RUB 321 million).

(c) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2018 the net book value of leased plant and machinery was RUB 14 million (31 December 2017: RUB 50 million).

14 Intangible assets

mln RUB	**Goodwill**	**Other**	**Total**
Cost			
Balance at 1 January 2017	3,728	1,207	4,935
Additions	-	1	1
Balance at 31 December 2017	3,728	1,208	4,936
Balance at 1 January 2018	3,728	1,208	4,936
Additions	-	4	4
Disposals	-	(84)	(84)
Business disposals	(156)	(309)	(465)
Effect of movements in exchange rates	-	1	1
Balance at 31 December 2018	3,572	820	4,392
Amortisation and impairment losses			
Balance at 1 January 2017	(281)	(344)	(625)
Amortisation charge	-	(49)	(49)
Balance at 31 December 2017	(281)	(393)	(674)
Balance at 1 January 2018	(281)	(393)	(674)
Amortisation charge	-	(45)	(45)
Disposals	-	66	66
Business disposals	117	259	376
Impairment losses during the year	(23)	-	(23)
Balance at 31 December 2018	(187)	(113)	(300)
Net book value			
At 1 January 2017	3,447	863	4,310
At 31 December 2017	3,447	815	4,262
At 31 December 2018	3,385	707	4,092

Other intangible assets mainly include licences for extraction of sand and crushed granite in Leningrad region and Urals region.

(a) Impairment testing of goodwill, other intangible assets and property, plant and equipment

Goodwill is allocated to the Group's entities or business units when appropriate. For the purpose of impairment testing these units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each entity or business unit (BU) and the related impairment losses recognised are as follows:

		31 December 2018			31 December 2017		
Entity / Business Unit mln RUB	**Operating Segment**	**Allocated goodwill**	**Impairment losses**	**Net book value**	**Allocated goodwill**	**Impairment losses**	**Net book value**
PJSC "AEROC OBUCHOW"	LSR. Building Materials	819	(164)	655	819	(164)	655
LSR Europe GmbH	LSR. Real Estate	50	-	50	50	-	50
BU LSR. Reinforced Concrete - North-West	LSR. Building Materials	-	-	-	17	-	17
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	LSR. Real Estate	23	(23)	-	23	-	23
BU Other	Other	-	-	-	128	(117)	11
BU LSR. Construction - Ural	LSR. Construction	736	-	736	736	-	736
BU LSR. Real Estate - Ural	LSR. Real Estate	1,277	-	1,277	1,277	-	1,277
BU LSR. Basic Materials	LSR. Building Materials	155	-	155	155	-	155
LLC "DCK-Progress" (OOO "LSR.Stroitelstvo-M")	LSR. Construction	-	-	-	11	-	11
BU LSR. Wall Materials	LSR. Building Materials	512	-	512	512	-	512
		3,572	(187)	3,385	3,728	(281)	3,447

Impairment review was conducted by the Group as at 31 December 2018.

The following key assumptions were used in determining the recoverable amounts of the respective companies as at 31 December 2018 and have not significantly changed compared to those that were used as at 31 December 2017.

The cash flow projections and budgeted results were updated to take into consideration current economic circumstances.

Segment “LSR. Building Materials”:

- Cash flows were projected based on budgeted operating results for 2019 and three-six years business plans;
- Cash flows for further years were extrapolated assuming 2.00% further growth in production;
- Pre-tax discount rate of 14.50% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 48.54% at a market interest rate of 12.76% p.a. and an industry average beta-coefficient.

Segment “LSR. Construction”:

- Cash flows were projected based on budgeted operating results for 2019 and five years business plans;
- Plan for 2019 is prepared based on the actual contract portfolio and the actual prices;
- Cash flows for further years were assuming 2.00% further growth in production;
- Pre-tax discount rate of 19.55% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 50.07% at a market interest rate of 10.56% p.a. and an industry average beta-coefficient.

Segment “LSR. Real Estate”:

- Cash flows were determined for the existing and planned investment projects on the basis of 4-year budgeted operating results.
- Cash flows for further years were assuming 2.00% further growth.
- Pre-tax discount rate of 19.55% was applied in determining the recoverable amount of the assets. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 50.07% at a market interest rate of 10.56% p.a. and an industry average beta-coefficient.

The values assigned to the key assumptions represent management’s assessment of future trends in the construction, development and construction materials production industry and are based on both external sources and internal sources.

No significant impairment loss was recognised in respect of goodwill allocated to the entities and business units above and other non-financial assets, as the impairment test demonstrates that for these entities and business units’ values in use are significantly higher than carrying amounts in aggregate and individually.

The estimates made for goodwill impairment test are sensitive in the following area:

- A 10.00% decrease in undiscounted net cash inflows would have caused the impairment loss in respect of the following entities/BU:

Entity / Business unit	**mln RUB**
BU LSR. Wall Materials	752
LSR Europe GmbH	273
BU LSR.Construction - Ural	12

- An increase of one percentage point in the discount rate used would have caused the impairment loss in respect of the following entities/BU:

Entity / Business unit	**mln RUB**
BU LSR. Wall Materials	568

15 Other investments

mln RUB	**31 December 2018**	**31 December 2017**
Non-current		
Investments at amortised cost:		
Stated at cost	28	28
Originated loans	927	475
	955	503
Current		
Originated loans	1,330	421
	1,330	421

The Group’s exposure to credit, currency and interest rate risks related to other investments is disclosed in note 25.

16 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		**Liabilities**		**Net**	
mln RUB	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Property, plant and equipment	(256)	(388)	679	788	423	400
Intangible assets	(10)	(17)	38	59	28	42
Inventories	(16,683)	(16,908)	703	641	(15,980)	(16,267)
Contract assets, trade and other receivables	(188)	(240)	330	835	142	595
Loans and borrowings	-	(16)	-	-	-	(16)
Contract liabilities, trade and other payables	(164)	(201)	19,264	18,189	19,100	17,988
Tax loss carry-forwards	(2,258)	(2,246)	-	-	(2,258)	(2,246)
Tax (assets)/liabilities	(19,559)	(20,016)	21,014	20,512	1,455	496
Set off of tax	16,697	17,180	(16,697)	(17,180)	-	-
Net tax (assets)/liabilities	(2,862)	(2,836)	4,317	3,332	1,455	496

Deferred tax assets on tax losses carry-forwards recognised as at 31 December 2018 represent tax effect of accumulated unused tax losses recoverable by the future taxable profit. In assessing recoverability of deferred tax assets on tax losses carry-forward the Group applied the same input data and assumptions as it used for impairment testing of goodwill and property, plant and equipment (refer to note 14). The major part of those tax losses relates to business segments LSR.Building Materials and Other.

(b) Movement in temporary differences during the year

mln RUB	**1 January 2018**	**Recognised in profit or loss**	**Acquired/ disposed**	**Effect of movements in exchange rate**	**31 December 2018**
Property, plant and equipment	400	(123)	146	-	423
Intangible assets	42	(10)	(4)	-	28
Inventories	(16,267)	415	(128)	-	(15,980)
Contract assets, trade and other receivables	595	(483)	30	-	142
Loans and borrowings	(16)	16	-	-	-
Contract liabilities, trade and other payables	17,988	1,092	20	-	19,100
Tax loss carry-forwards	(2,246)	(213)	204	(3)	(2,258)
	496	694	268	(3)	1,455

mln RUB	1 January 2017	Recognised in profit or loss	Acquired/ disposed	Effect of movements in exchange rate	31 December 2017
Property, plant and equipment	683	(281)	-	(2)	400
Intangible assets	65	(23)	-	-	42
Inventories	(9,609)	(6,658)	-	-	(16,267)
Contract assets, trade and other receivables	128	474	(7)	-	595
Loans and borrowings	(24)	8	-	-	(16)
Contract liabilities, trade and other payables	9,913	8,075	-	-	17,988
Tax loss carry-forwards	(1,619)	(622)	(5)	-	(2,246)
	(463)	973	(12)	(2)	496

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

mln RUB	31 December 2018	31 December 2017
Tax losses	252	252
Deductible temporary differences on intercompany sales of investments	84	84
Total deferred tax assets have not been recognised	336	336

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that the Group will sell investments in the foreseeable future and can utilize the benefits therefrom.

17 Inventories

mln RUB	31 December 2018	31 December 2017
Work in progress, construction of buildings	89,984	109,111
Lease rights	16,750	19,126
Finished goods, construction of buildings	21,045	19,263
Finished goods and goods for resale	2,670	3,058
Raw materials and consumables	3,113	3,500
Social infrastructure	3,540	-
Work in progress	945	879
	138,047	154,937
Less: allowance for obsolete inventory	(687)	(629)
	137,360	154,308

Work in progress, construction of buildings represents the expenditure incurred during the construction of buildings before they are put into operation. The expenditure is financed by liabilities under share participation agreements (refer to note 24), loans and borrowings (refer to note 22), and profits of the developer.

Work in progress, construction of buildings with a carrying amount of RUB 65,113 million are expected to be completed in more than 12 months from the reporting date (31 December 2017: RUB 66,143 million).

Lease rights represent the amount paid to obtain the right of development of land plot which are capitalized into the cost of object upon completion of development. Lease rights are recognized at the present value of future cash outflows (refer to note 24).

Significant financing component, related to the real estate contracts under share participation agreements, with a carrying amount of RUB 1,020 million was capitalized as a part of work in progress, construction of buildings (31 December 2017: RUB 5,054 million).

Inventories with a carrying amount of RUB 4,627 million are subject to a registered debenture to secure bank loans (31 December 2017: RUB 1,333 million) (refer to note 22).

Inventories are not pledged to secure payments under the purchase contracts for land plots with payment by instalments (31 December 2017: RUB 4,721 million).

The following is movement in the allowance for obsolete inventory:

mln RUB	**2018**	**2017**
Balance at 1 January	629	268
Change in the allowance for obsolete inventory	58	361
Balance at 31 December	687	629

As at 31 December 2018 the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 687 million (31 December 2017: RUB 629 million) and the respective allowance was recognized in cost of sales. As at 31 December 2018 major part of the allowance of RUB 637 million (31 December 2017: RUB 596 million) relates to finished goods and goods for resale.

The impairment allowance was made based on the following key assumptions:

- Cash inflows were projected as total of contracted revenue and forecasted revenue determined based on current prices or prices of objects considered analogues;
- Cash outflows include costs accumulated to date and budgeted costs to finish the construction.

18 Contract assets, trade and other receivables

mln RUB	31 December 2018	31 December 2017
Non-current		
Accounts receivable - trade	1,093	1,332
Notes receivable on disposals of subsidiaries	70	123
	1,163	1,455
Current		
Prepayments to suppliers	16,152	12,411
Receivables under share participation agreements	5,479	5,880
Assets under share participation agreements	3,781	3,418
Accounts receivable – trade	3,182	2,851
Assets under construction contracts	714	1,495
VAT receivable	698	633
Notes receivable	432	83
Income tax receivable	206	111
Current receivables on disposals of subsidiaries / shares	79	1,550
Deferred expenses	62	85
Employee receivables	3	2
Other receivables	1,761	1,683
	32,549	30,202
Provision for doubtful debtors	(456)	(428)
	32,093	29,774

Non-current receivables on disposals of subsidiaries include discounted amount of receivables from sale of subsidiaries with discount rate 4.42%.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 25.

19 Cash and cash equivalents

mln RUB	31 December 2018	31 December 2017
Petty cash	2	3
Current accounts	54,445	24,416
Call deposits	1,351	5,294
Cash and cash equivalents in the Consolidated Statement of financial position	55,798	29,713
Cash and cash equivalents in the Consolidated Statement of cash flows	55,798	29,713

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25.

The Group's ability to use funds on current accounts is not restricted by the covenant disclosed in note 22.

20 Equity

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	31 December 2018	**31 December 2017**
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the year	103,030,215	100,966,635
On issue at end of the year, fully paid	100,228,773	103,030,215

The holders of ordinary shares are entitled to receive dividends which can be declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Treasury share reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Company. At the reporting date the Company held 2,829,442 of its own shares (31 December 2017: nil).

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2018 the Company had retained earnings, including the profit for the current year, of RUB 16,575 million (as at 31 December 2017: RUB 16,205 million).

In June 2018 the Company declared dividends in the amount of RUB 8,036 million at value RUB 78.00 per share for financial year ended 31 December 2017. The dividends were paid in full in August 2018.

21 Earnings per share

The calculation of earnings per share is based on profit attributable to the shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, refer to note 20 (a). The Company has no dilutive potential ordinary shares.

	2018	**2017**
Issued shares at 1 January	103,030,215	100,966,635
Effect of own shares (held) / sold	(1,187,001)	1,717,819
Weighted average number of shares for the year ended 31 December	101,843,214	102,684,454

22 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, refer to note 25.

mln RUB	31 December 2018	31 December 2017
Non-current		
Secured bank loans	30,872	19,292
Unsecured bank loans	29,880	33,870
Unsecured bond issues	14,000	15,000
Finance lease liability	3	10
	74,755	68,172
Current		
Secured bank loans	3,131	2,361
Unsecured bank loans	7,200	2,200
Unsecured other loans	-	14
Unsecured bond issues	1,000	-
Finance lease liability	2	39
	11,333	4,614

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				31 December 2018		31 December 2017	
mln RUB	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured facility	RUB	8.20% - 10.00%	2020 - 2023	32,272	32,272	21,653	21,653
	EUR	2.15% - 3.00%	2019	1,731	1,731	-	-
Unsecured facility	RUB	7.50% - 10.75%	2019 - 2022	52,080	52,080	51,084	51,084
Finance lease liability	RUB	11.81% - 16.02%	2019 - 2021	5	5	49	49
				86,088	86,088	72,786	72,786

Changes in liabilities arising from financing activities were as follows:

		Changes from financing activities			
mln RUB	**1 January 2018**	**Received**	**Paid**	**Other movements**	**31 December 2018**
Bank and other loans	57,737	105,932	(92,702)	116	71,083
Bond issued	15,000	-	-	-	15,000
	72,737	105,932	(92,702)	116	86,083

mln RUB	1 January 2017	Changes from financing activities Received		Other movements	31 December 2017
Bank and other loans	50,590	158,662	(152,415)	900	57,737
Bond issued	5,000	10,000	-	-	15,000
	55,590	168,662	(152,415)	900	72,737

Covenants and other matters

The Credit Agreements require the Group to comply with certain general, informational and financial covenants, including:

– a limitation on the Group’s ability to incur additional debt beyond certain financial ratios;
– maintaining by the Group’s of some of financial coefficients on a fixed level;
– subject to certain exceptions, a prohibition restricting the Group ability to issue significant borrowings, provide guarantees or indemnities to the third party;
– an obligation to provide to the Banks with such financial and other information, the Banks may reasonably require in relation to the loan contracts, including the Group’s annual audited and unaudited consolidated financial statements, prepared in accordance with IFRS.

Credit arrangements for unsecured bank loans of RUB 22,650 million (31 December 2017: RUB 19,350 million) require Group to keep the ratio of bank account opened in the bank-lender to loan principal at no less than one.

The Group complies with covenants described above.

Bank loans are secured by the following:

– Property, plant and equipment with a carrying amount of RUB 6,096 million is pledged as collateral to secure bank loans (31 December 2017: RUB 8,151 million) – refer to note 13(b).
– Inventories with a carrying amount of RUB 4,627 million are pledged as collateral to secure bank loans (31 December 2017: RUB 1,333 million) – refer to note 17.

The finance lease liabilities are secured by the leased assets (refer to note 13(c)).

Bank loans are secured by the pledge of the following shares in subsidiary companies as at 31 December 2018:

– 100.00% JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT PETERSBURG”;
– 100.00% of LSR. Wall Materials Ltd.

23 Provisions

mln RUB	Site finishing	Environ-ment restora-tion	Warranty provision	Provision for unpro-fitable contracts	Litigation provision	Provision for social infra-structure	Total
Current							
Balance at 1 January 2018	1,194	33	26	7	82	-	1,342
Provisions made during the year	349	-	4	-	67	3,540	3,960
Provisions used during the year	(1,079)	(9)	(25)	(6)	(28)	-	(1,147)
Unused provisions	(116)	-	-	(1)	(82)	-	(199)
Disposals of subsidiaries	-	-	-	-	(1)	-	(1)
Exchange differences	-	-	3	-	-	-	3
Balance at 31 December 2018	348	24	8	-	38	3,540	3,958
Non-current							
Balance at 1 January 2018	-	60	-	-	-	-	60
Provisions made during the year	-	21	-	-	-	-	21
Balance at 31 December 2018	-	81	-	-	-	-	81

mln RUB	Site finishing	Environ-ment restoration	Warranty provision	Provision for unprofitable contracts	Litigation provision	Total
Current						
Balance at 1 January 2017	1,524	32	6	37	14	1,613
Provisions made during the year	919	8	23	-	127	1,077
Provisions used during the year	(1,174)	(7)	(4)	(30)	(32)	(1,247)
Unused provisions	(75)	-	-	-	(27)	(102)
Exchange differences	-	-	1	-	-	1
Balance at 31 December 2017	1,194	33	26	7	82	1,342
Non-current						
Balance at 1 January 2017	-	55	-	-	-	55
Provisions made during the year	-	5	-	-	-	5
Balance at 31 December 2017	-	60	-	-	-	60

(a) Site finishing

The Group records provisions in respect of the Group's obligation to incur additional costs including costs associated with cleaning up the surrounding area after finishing the construction of apartment buildings in Saint Petersburg, Moscow and Yekaterinburg.

(b) Environment restoration

The Group records provisions in respect of the Group's obligation to clean up the surrounding area after quarrying sand in water and forested areas. The damage caused during quarrying is cleaned up after quarrying is completed. The amount of provision is estimated based on the available information. The Group expects the resulting outflow of economic benefits over the next five years.

(c) Warranty provision

The provision for warranties relates mainly to the residential units sold as at the date of reporting. The provision is based on estimates made from historical warranty data associated with similar products and services and is required under the German legislation. The Group expects the resulting outflow of economic benefits over the next three years. For the production companies warranty provision relates to the construction works done.

(d) Provision for unprofitable contracts

Provisions for unprofitable contracts are recognized when costs to complete or terminate the contracts exceed the expected economic benefits.

(e) Litigation provision

The Group recognises provision on legal obligations that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(f) Provision for social infrastructure

The Group records provisions in respect of the Group's obligation to construct social infrastructure that is necessary for the apartment buildings' tenants. The provision is recorded based on the stage of completion of the apartment buildings, that are to be provided with the respective social infrastructure.

24 Contract liabilities, trade and other payables

mln RUB	31 December 2018	31 December 2017
Non-current payables		
Accounts payable – trade	6,539	11,993
Taxes and other payables to the budget	2,274	1,691
	8,813	13,684
Current payables		
Contract liabilities under share participation agreements recognized over time	39,824	19,998
Contract liabilities under share participation agreements recognized at a point in time	-	32,292
Accounts payable – trade	22,580	18,347
Taxes and other payables to the budget	3,501	3,246
Advances from customers under other contracts	1,944	2,253
Liabilities under construction contracts	1,295	3,175
Employee-related liabilities	1,153	1,435
Interest payable	336	225
Income tax payable	308	696
Deferred income	-	1
Other payables	969	991
	71,910	82,659

Trade payables include payables for land plots and lease rights to be repaid in instalments. Payables for land plots and lease rights are discounted at rates 11.20% and 10.70%, respectively.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

25 Financial risk management

(a) Overview

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

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

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The Audit Committee reports regularly to the Board of Directors on its activities.

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

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

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

About 98% of the Group's cash and cash equivalents are hold in the top rated banks, that are included in the list of Russia's key financial institutions. The most significant cash balances are deposited in JSC Rosselkhozbank and PJSC Sberbank.

Credit Rating JSC Rosselkhozbank by Fitch is: Long Term Issuer Default Ratings (IDR) BB+, Local Currency Long Term IDR BB+. Credit Rating PJSC Sberbank is: Long Term IDR BBB-, Local Currency Long Term IDR BBB-.

(i) Contract assets, trade and other receivables

Trade receivables from the largest five debtors of the Group represents approximately RUB 2,264 million (31 December 2017: RUB 1,700 million) of the Group's total Trade receivables. Geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Managing Directors; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Most of the Group's customers in the "LSR. Building Materials", "LSR. Construction" operating segments have been transacting with the Group for over four years, and losses have occurred infrequently. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group does not have a unified policy for management of credit risk in place. Due to significant differences in operations at different business units specific credit policies are developed at the level of operational companies. Each of the operating companies has established procedures in place to review and collect outstanding receivables. New customers, as well as customers with significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place. All companies involved in the extraction and production of building materials have in place credit control procedures which require them to cancel despatching goods in case of the absence of a signed contract, previous fail to pay or previous violations of contract conditions. Also certain limits for the accounts receivable are established for particular customers.

The "LSR. Real Estate" operating segment the Group is not exposed to significant credit risk as most customers are individuals and legal title on premises sold under share participation agreements is transferred to the customers upon full payment.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of contract assets, trade and other receivables and investments. This allowance represents a specific loss component that relates to individually significant exposures.

(ii) Investments

The Group does not invest any of its assets in traded securities. The Group limits its exposure to credit risk by investing in credit notes of trade counterparties (customers and suppliers of the Group) that have an appropriate reputation in the market. Management does not consider that any of the counterparties may not perform their obligations.

(iii) Guarantees

As at 31 December 2018 the Group has not guarantees made to third parties (31 December 2017: RUB 121 million).

Exposure to credit risk

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

mln RUB	**Carrying amount**	
	31 December 2018	**31 December 2017**
Financial assets at amortised cost	28	28
Loans and receivables	14,774	15,562
Cash and cash equivalents	55,798	29,713
	70,600	45,303

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

mln RUB	**Carrying amount**	
	31 December 2018	**31 December 2017**
Domestic	4,147	4,072
Euro-zone countries	49	47
Other CIS countries	27	5
	4,223	4,124

The Group's most significant trade debtor St. Petersburg Property Relations Committee accounts for RUB 1,253 million of the trade receivables carrying amount at 31 December 2018 (31 December 2017: St. Petersburg Property Relations Committee RUB 1,265 million).

The total amount of impaired trade receivables at the reporting date was RUB 52 million (31 December 2017: RUB 59 million).

The ageing of trade receivables at the reporting date was:

mln RUB	Gross 31 December 2018	Impairment 31 December 2018	Gross 31 December 2017	Impairment 31 December 2017
Not past due	3,649	-	3,714	-
Past due 0-30 days	226	-	305	-
Past due 31-60 days	89	-	65	-
Past due 61-90 days	31	-	5	(2)
Past due more than 90 days	280	(52)	94	(57)
	4,275	(52)	4,183	(59)

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

mln RUB	2018	2017
Balance at 1 January	(59)	(233)
Impairment reversal	7	174
Balance at 31 December	(52)	(59)

The impairment loss at 31 December 2018 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and internal analysis on the underlying customers' credit ratings.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for customers as at 31 December 2018.

mln RUB	Equivalent to external credit rating (Agency Moody's)	Gross carrying amount	Impairment loss allowance	Credit-impaired
Grades 1–6: *Low risk*	Baa3- to Aaa	1,715	-	No
Grades 7–9: *Fair risk*	Ba3 to Ba1	13,059	-	No
Grade 10: *Substandard*	Caa3 to B1	-	-	No
Grade 11: *Doubtful*	Ca	-	-	Yes
Grade 12: *Loss*	D	293	(293)	Yes
		15,067	(293)	

The movement in the allowance for impairment in respect of contract assets, advances paid and other receivables during the year was as follows:

mln RUB	2018	2017
Balance at 1 January	(369)	(816)
Impairment (loss) / reversal	(35)	447
Balance at 31 December	(404)	(369)

(c) Liquidity risk

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

The Group uses cash flow budgets which are prepared for each year and quarter to forecast potential liquidity deficit and identify sources of covering that deficit. As at 31 December 2018 the Group's undrawn credit facilities amount is RUB 48,126 million (31 December 2017: RUB 26,196 million). Interest would be payable at the rate of 7.50% to 8.90% for loans in RUB and at the rate 2.15% for loans in EUR.

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.

31 December 2018	**Average interest rate**					
mln RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	8.20% - 10.00%	8.68%	1,400	30,872	-	32,272
EUR*	2.15% - 3.00%	2.29%	1,731	-	-	1,731
Unsecured bank loans:						
RUB*	7.50% - 9.35%	8.86%	3,200	22,880	-	26,080
RUB	CBR rate + 0.75% - CBR rate + 1.50%	8.55%	4,000	7,000	-	11,000
Unsecured bond issues:						
RUB*	9.00%-10.75%	9.80%	1,000	14,000	-	15,000
Finance lease liabilities						
RUB*	11.81% - 16.02%	15.64%	2	3	-	5
Trade and other payables		-	23,885	6,127	412	30,424
Future interest**		-	8,353	9,052	231	17,636
			43,571	89,934	643	134,148

*Fixed rate

** Future interest contains not charged, expected interest. Future interest does not reflect current payables of the Group. Future interest is calculated based on current credit facilities, which the Group had on 31 December 2018.

31 December 2017	**Average interest rate**					
mln RUB	**Contractual**	**Effective**	**Less than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Secured bank loans:						
RUB*	2.50% - 11.00%	9.67%	2,361	19,105	187	21,653
Unsecured bank loans:						
RUB*	7.33% - 9.80%	8.46%	2,200	33,870	-	36,070
Unsecured other loans:						
RUB*	0.00% - 10.50%	3.02%	14	-	-	14
Unsecured bond issues:						
RUB*	9.00%-10.75%	9.80%	-	15,000	-	15,000
Finance lease liabilities						
RUB*	11.81% - 21.24%	13.38%	39	10	-	49
Trade and other payables			19,563	11,993	-	31,556
Future interest**			7,874	11,256	343	19,473
Guarantees***			121	-	-	121
			32,172	91,234	530	123,936

*Fixed rate

** Future interest contains not charged, expected interest. Future interest does not reflect current payables of the Group. Future interest is calculated based on current credit facilities, which the Group had on 31 December 2017.

*** Guarantees contain guarantees made to third parties. Guarantees do not reflect current payables of the Group.

(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUB), but also EUR and Ukrainian Hryvna (UAH). The currencies in which these transactions primarily are denominated in EUR and USD.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily RUB. This provides an economic hedge and no derivatives are entered into.

Exposure to currency risk

The Group's exposure to currency risk was based on the following principal amounts:

31 December 2018 **mln RUB**	**EUR-denominated**	**USD-denominated**
Contract assets, trade and other receivables	169	3
Secured bank loans	(1,731)	-
Contract liabilities, trade and other payables	(17)	(19)
Net exposure	(1,579)	(16)

31 December 2017 **mln RUB**	**EUR-denominated**	**USD-denominated**
Contract assets, trade and other receivables	227	205
Contract liabilities, trade and other payables	(39)	(7)
Net exposure	188	198

The following significant exchange rates applied during the year:

	31 December 2018 **RUB**	**31 December 2017** **RUB**
1 USD equals	69.4706	57.6002
1 EUR equals	79.4605	68.8668
1 UAH equals	2.5071	2.0496

Sensitivity analysis

A 10.00% strengthening of RUB against the above currencies would have increased profit 2018 by RUB 160 million (2017: decreased by RUB 39 million). A 10.00% weakening of the RUB against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(ii) 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 favourable to the Group over the expected year until maturity.

Profile

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

mln RUB	**Carrying amount**	
	31 December 2018	**31 December 2017**
Fixed rate instruments		
Financial assets	2,285	924
Financial liabilities	(75,088)	(72,786)
	(72,803)	(71,862)
Variable rate instruments		
Financial liabilities	(11,000)	-

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and other comprehensive income, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income.

(e) Fair values versus carrying amounts

The fair value of unquoted equity investments is discussed in note 4. In other cases management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for loans.

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

31 December 2018	**Note**	**Carrying**		**Fair value**	
mln RUB		**amount**	**Level 1**	**Level 2**	**Total**
Financial assets					
Financial assets at amortised cost	15	28	-	28	28
Loans and receivables		14,774	-	14,774	14,774
Cash and cash equivalents	19	55,798	55,798	-	55,798
		70,600	55,798	14,802	70,600
Financial liabilities					
Secured bank loans	22	(34,003)	-	(32,698)	(32,698)
Unsecured bank loans	22	(37,080)	-	(35,682)	(35,682)
Unsecured bond issues	22	(15,000)	(14,636)	-	(14,636)
Trade and other payables	24	(30,424)	-	(30,424)	(30,424)
Finance lease liabilities	22	(5)	-	(5)	(5)
		(116,512)	(14,636)	(98,809)	(113,445)

31 December 2017	**Note**	**Carrying**		**Fair value**	
mln RUB		**amount**	**Level 1**	**Level 2**	**Total**
Financial assets					
Financial assets at amortised cost	15	28	-	28	28
Loans and receivables		15,562	-	15,562	15,562
Cash and cash equivalents	19	29,713	29,713	-	29,713
		45,303	29,713	15,590	45,303
Financial liabilities					
Secured bank loans	22	(21,653)	-	(22,050)	(22,050)
Unsecured bank loans	22	(36,070)	-	(35,838)	(35,838)
Unsecured other loans	22	(14)	-	(13)	(13)
Unsecured bond issues	22	(15,000)	(15,377)	-	(15,377)
Trade and other payables	24	(31,556)	-	(31,556)	(31,556)
Finance lease liabilities	22	(49)	-	(49)	(49)
		(104,342)	(15,377)	(89,506)	(104,883)

The interest rates used to discount estimated cash flows, where applicable, are based on incremental borrowing rates, available for the Group as at:

	31 December 2018	**31 December 2017**
Loans and borrowings	4.37% - 10.70%	2.53% - 8.91%
Leases	11.81% - 16.02%	11.81% - 21.24%

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of the transactions;
- requirements for the reconciliation and monitoring of the transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the annual assessments of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of annual reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit, to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

(g) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group's revenues and profit, and long-term investment plans mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

The Group's liabilities to adjusted capital ratio at the end of the reporting year were as follows:

mln RUB	31 December 2018	31 December 2017
Total liabilities	175,167	173,863
Less: cash and cash equivalents	(55,798)	(29,713)
Net liabilities	119,369	144,150
Total equity	84,353	77,689
Net liabilities to capital ratio	1.42	1.86

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

mln RUB	31 December 2018	31 December 2017
Less than one year	1,129	1,892
Between one and five years	1,838	1,285
More than five years	2,583	2,701
	5,550	5,878

The Group leases a number of land plots under operating leases. The leases typically vary from an initial year of four to forty nine years, with an option to renew the lease after that date. The lease payments are mostly expressed as a percentage of cadastral value of the related land plot or are based on rental rates, determined by authorities, which are not necessarily based on market.

For the production entities lease payments are expensed as incurred, while for the real estate construction entities lease payments are capitalised to the construction costs of the properties, located on the respective land plots. During the year ended 31 December 2018 an amount of RUB 175 million was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of non-cancellable operating leases. An amount of RUB 4,152 million was capitalized to the construction cost of the properties, located on the respective land plots.

27 Commitments

At 31 December 2018 the Group was committed to purchase property, plant and equipment for approximately RUB 67 million net of VAT (31 December 2017: RUB 87 million).

28 Contingencies

(a) Insurance

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

(b) Litigation

Existing litigations include a number of small claims relating to purchases from domestic customers. Based on experience in resolving such claims, management believes that they will be settled without significant cost to the Group. Accordingly, no provision has been made for such amounts.

(c) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The Group companies entered into transactions involving other Group companies at prices which management believed were consistent with applicable tax law. However, based on the uncertainty of legislation, the tax authorities could take a different position and attempt to assess additional tax and interest. The potential amount of such assessment cannot be reasonably estimated based on the uncertainty of transfer pricing rules, but could be significant. Management has not made any provision because it believes there will be no outflow of funds relating to any such assessment.

(d) Environmental liabilities

The Group is engaged in dredging sand from the sea bed and quarrying sand in the 8 areas. There is no liability to perform any restoration work in relation to the sea bed after the dredging is complete.

The Group is engaged in crushed stone production in the 6 areas and extraction of clay in 2 areas.

According to existing legislation and the terms of licenses obtained by the Group, there is a liability for the Group to restore these sites when quarrying is complete. In case the planned restoration costs can be identified before the quarrying is completed and the licence is used, the reserve for restoration is recognized.

The costs associated with restoration cannot be determined if, in accordance with existing licences on crushed stone production, the methods of restoration and its cost will be determined in the future. In this case, the reserve for restoration is not recognized in the Consolidated financial Statements.

It is planned that quarrying of the remaining 16 areas will be completed after 2019.

29 Related party transactions

(a) Control relationships

The Company is ultimately controlled by Andrey Molchanov.

(b) Transactions with management and close family members

The management and their close family members control 5.35% of the voting shares of the Group. (31 December 2017: 5.49%).

(i) Management remuneration

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

mln RUB	**31 December 2018**	**31 December 2017**
Salaries and bonuses	1,289	1,208

(ii) Other transactions with management and close family members

mln RUB	**Transaction value year ended**		**Outstanding balance**	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Sale of goods and services	9	7	-	11
Sale of shares	-	1,483*	-	1,483*

* In 2018 this sale was terminated and the shares were returned to the Group.

As at 31 December 2018 there were no loans to executive directors (31 December 2017: nil).

(c) Transactions with other related parties

The Group's other related party transactions are disclosed below:

(i) Revenue

mln RUB	**Transaction value year ended**		**Outstanding balance**	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Sale of goods and services provided to:				
Beneficial owner and companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners or persons acting on their behalf	458	82	32	54
Companies significantly influenced by the Group key management	7	15	-	42
	465	97	32	96

All outstanding balances with related parties are to be settled in cash within the 12-month of the balance sheet date. None of the balances is secured.

Other income to companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners as at 31 December 2018 amounts to RUB 872 million (other expenses at 31 December 2017: RUB 91 million). Outstanding balance – nil (31 December 2017: nil).

(ii) Expenses and capital expenditures

mln RUB	**Transaction value year ended**		**Outstanding balance**	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Purchase of goods and services from:				
Beneficial owner and companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners or persons acting on their behalf	148	106	2	(2)
Companies significantly influenced by the Group key management	11	57	-	(8)
	159	163	2	(10)

All outstanding balances with related parties are to be settled in cash within the 12-month of the balance sheet date. None of the balances are secured.

(iii) Loans

mln RUB	**Transaction value year ended**		**Outstanding balance**	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Loans received (included into unsecured other loans – refer to note 22):				
Beneficial owner and companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners or persons acting on their behalf	-	-	-	12
	-	-	-	12

mln RUB	**Transaction value year ended**		**Outstanding balance**	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Loans given (included into other investments – originated loans category– refer to note 15):				
Beneficial owner and companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners or persons acting on their behalf	1,956	1,011	1,485	196
Companies significantly influenced by the Group key management	-	-	-	111
	1,956	1,011	1,485	307

mln RUB	**Transaction value year ended**		**Outstanding balance**	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Interest receivable (included into other receivables):				
Beneficial owner and companies controlled or significantly influenced by or on behalf of the Group's ultimate beneficial owners or persons acting on their behalf	28	65	3	12
Companies significantly influenced by the Group key management	2	9	-	17
	30	74	3	29

(iv) Transactions with shares / promissory notes

mln RUB	**Transaction value year ended**		**Outstanding balance**	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Purchase of shares / promissory notes from				
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners or persons acting on their behalf	400	-	411	21
Companies significantly influenced by the Group key management	-	-	-	61
	400	-	411	82

mln RUB	**Transaction value year ended**		**Outstanding balance**	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Sale of shares / promissory notes to				
Beneficial owner and companies controlled or significantly influenced by or on behalf of, the Group's ultimate beneficial owners or persons acting on their behalf	116	-	-	-
Companies significantly influenced by the Group key management	-	-	-	-
	116	-	-	-

30 Subsidiaries

Entity	Country of incorporation	Ownership/ voting interest 31 December 2018	Ownership/ voting interest 31 December 2017
JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	Russia	100.00%	100.00%
OOO "LSR.Nedvizimost-SZ"	Russia	100.00%	100.00%
AO "PO "Barrikada" (AO "LSR.Zelezobeton-SZ")**	Russia	-	100.00%
OOO "LSR.Stroitelstvo-SZ"	Russia	100.00%	100.00%
AO "LSR.Krany-SZ"	Russia	100.00%	100.00%
AO "LSR.Nedvizimost-M"	Russia	100.00%	100.00%
LSR. Wall Materials Ltd	Russia	100.00%	100.00%
LLC "AEROC"	Ukraine	100.00%	100.00%
AO "Industrial Leasing"***	Russia	-	100.00%
OOO "Leningradka 58" (OOO "MSR-Butovo")	Russia	100.00%	100.00%
Limited Liability Company Smolniy District	Russia	100.00%	100.00%
LSR Europe GmbH	Germany	100.00%	100.00%
S&G Development Partners Objekt Leipzig GmbH & Co KG	Germany	99.60%	99.60%
Max-Josephs-Hohe Immobilien- und Projektentwicklungs GmbH	Germany	94.80%	94.80%
LSR - Vermögensverwaltungs GmbH****	Germany	-	100.00%
Projektgesellschaft Bayerstraße 79 mbH	Germany	80.00%	80.00%
Aignerstraße Projektentwicklungsgesellschaft mbH	Germany	100.00%	100.00%
Kirchenstraße Verwaltungs GmbH	Germany	100.00%	100.00%
Kirchenstraße Projektentwicklungs GmbH & Co. KG ***	Germany	-	100.00%
Zu Hause auf Zeit Landshut GmbH	Germany	100.00%	100.00%
JSC "A Plus Estate"	Russia	100.00%	100.00%
AO "Stroicorporatciya"	Russia	100.00%	100.00%
AO MTO "ARHPROEKT"*	Russia	25.00%	25.00%
OOO "Velikan - XXI vek"	Russia	100.00%	100.00%
Lsr Group Ltd	Russia	100.00%	100.00%
LSR.Construction-Urals Ltd	Russia	100.00%	100.00%
AO "LSR.Nedvizimost-Ural"	Russia	100.00%	100.00%
OOO "Uralscheben"**	Russia	-	100.00%
PJSC "AEROC OBUCHOW"	Ukraine	97.36%	97.36%
LLC "DCK-Progress" (OOO "LSR.Stroitelstvo-M")**	Russia	-	100.00%
OOO "LSR-Stroy"	Russia	100.00%	100.00%
AO "LSR. Bazovye"	Russia	100.00%	100.00%
OOO "Kamenskoe-3"	Russia	100.00%	100.00%
OOO "Landshaft"	Russia	100.00%	100.00%
OOO "Zagorodnaya, 9"	Russia	99.99%	99.99%
"LSR. Object-M" Ltd	Russia	100.00%	100.00%
OOO "Oblastnye proekty"**	Russia	-	49.00%
LLC "Sanatorium Dunes"**	Russia	-	49.00%
OAO "Zavod ZhBI-6"**	Russia	-	59.11%
"LSR. Real Estate" Ltd***	Russia	-	100.00%
OOO "RAZVITIE"	Russia	50.00%	50.00%
OOO "LSR. Beton"	Russia	100.00%	100.00%
OOO "LSR.Zelezobeton (OOO "ZhBI-1")	Russia	100.00%	100.00%
OOO "Naziya"**	Russia	-	100.00%
AO "Tsementnyy Elevator"***	Russia	-	100.00%
OOO "Arkon"***	Russia	-	100.00%
OOO "Krutikha"**	Russia	-	-
OOO "Spetsializirovanny zastroishchik "LSR"	Russia	100.00%	-
OOO "Ravan snabzhenie"	Russia	100.00%	-

* The Group retained de facto control.

** Subsidiaries disposed to third or related parties during the year ended 31 December 2018.

*** Not significant subsidiaries liquidated during the year ended 31 December 2018.

**** Subsidiaries merged to the Group companies during the year ended 31 December 2018.

31 Events subsequent to the reporting date

(a) Financing events

In January 2019 the subsidiaries of the Group fully repaid the loan agreements with JSC Rosselkhozbank with amount RUB 4,700 million.

32 Supplementary disclosures

The following Group entities are included in Segments and Business unit disclosures:

Division	Segment	Business unit	Product	Entity
Building Materials	LSR. Building Materials	LSR. Basic Materials	Sand	OOO “Landshaft” OOO “Ravan snabzhenie” AO “LSR. Bazovye” Sand
			Crushed Granite	AO “LSR. Bazovye” Crushed Granite
			Land improvement	AO “LSR. Bazovye” Land improvement
		LSR. Ready-mix Concrete	Ready-mix Concrete	OOO “LSR. Beton”
		LSR. Wall Materials	Brick	LSR. Wall Materials Ltd
			Aerated Concrete	PJSC “AEROC OBUCHOW” LLC “AEROC” LSR Stenovye (Aerated Concrete)
		LSR. Reinforced Concrete - North-West	Reinforced Concrete	AO “PO “Barrikada” (AO “LSR.Zelezobeton-SZ”) OOO “LSR.Zelezobeton (OOO “ZhBI-1”) OOO “Naziya”
Real Estate and Construction	LSR. Construction	LSR. Construction - North-West	Construction	OOO “LSR.Stroitelstvo-SZ”
		LSR. Construction - Moscow	Construction	LLC “DCK-Progress” (OOO “LSR.Stroitelstvo-M”) OAO “Zavod ZhBI-6”
		LSR. Construction - Ural	Construction	LSR.Construction-Urals Ltd OOO “Kamenskoe-3”
	LSR. Project management	LSR. Project management	Project management	OOO “LSR-Stroy”
	LSR. Cranes	LSR. Cranes	Cranes	AO “LSR.Krany-SZ”
	LSR. Real Estate	LSR. Real Estate - North-West	Real Estate	JOINT-STOCK COMPANY “CONSTRUCTION CORPORATION “REVIVAL OF SAINT-PETERSBURG” Limited Liability Company Smolniy District AO “Stroicorporatciya” AO “Tsementnyy Elevator” OOO “Arkon” OOO “Spetsializirovanny zastroishchik “LSR” OOO “LSR.Nedvizimost-SZ”
		LSR. Real Estate - Moscow	Real Estate	AO “LSR.Nedvizimost-M” “LSR. Object-M” Ltd OOO “Leningradka 58” (OOO “MSR-Butovo”) OOO “RAZVITIE” OOO “Velikan - XXI vek”
		LSR. Real Estate - Ural	Real Estate	AO “LSR.Nedvizimost-Ural”

Division	Segment	Business unit	Product	Entity
		LSR - Europe	Real Estate	LSR Europe GmbH
				Max-Josephs-Hohe Immobilien- und Projektentwicklungs GmbH
				LSR - Vermögensverwaltungs GmbH
				Projektgesellschaft Bayerstraße 79 mbH
				S&G Development Partners Objekt Leipzig GmbH & Co KG
				Zu Hause auf Zeit Landshut GmbH
				Kirchenstraße Verwaltungs GmbH
				Kirchenstraße Projektentwicklungs GmbH & Co. KG
				Aignerstraße Projektentwicklungsgesellschaft mbH
				“LSR. Real Estate” Ltd
Other	Other	Other	Other entities	AO “Industrial Leasing”
				PJSC LSR Group
				AO MTO “ARHPROEKT”
				Lsr Group Ltd
				JSC “A Plus Estate”
				OOO “Zagorodnaya, 9”
				OOO “Oblastnye proekty”
				LLC “Sanatorium Dunes”
				OOO “Krutikha”
				OOO “Uralscheben”

Key financial performance indicators by business segment / business unit were as follows:

For the year ended 31 December 2018 **mln RUB**	**Revenue from external customers**	**Inter-group revenue**	**Total revenue**	**Results from operating activities (excl. management fee)**	**Deprecia-tion/ Amorti-sation**	**Impairment losses on goodwill**	**Capitalized interest recognized in cost of sales**	**Write off of change in fair value of the disposed asset**	**Adjusted EBITDA***
Sand	2,277	256	**2,533**	1,257	76	-	-	-	**1,333**
Crushed Granite	3,130	593	**3,723**	412	165	-	-	-	**577**
Land improvement	-	1,655	**1,655**	475	1	-	-	-	**476**
Eliminations	-	-	-	-	-	-	-	-	-
LSR. Basic Materials	5,407	2,504	**7,911**	2,144	242	-	-	-	**2,386**
LSR. Ready-mix Concrete	3,938	181	**4,119**	466	51	-	-	-	**517**
Brick	2,853	8	**2,861**	(322)	687	-	-	-	**365**
Aerated Concrete	3,538	1	**3,539**	562	186	-	-	-	**748**
Eliminations	-	-	-	-	-	-	-	-	-
LSR. Wall Materials	6,391	9	**6,400**	240	873	-	-	-	**1,113**
LSR. Reinforced Concrete - North-West	1,427	32	**1,459**	(82)	76	-	-	-	**(6)**
Eliminations	-	(745)	**(745)**	(10)	-	-	-	-	**(10)**
Building Materials	**17,163**	**1,981**	**19,144**	**2,758**	**1,242**	**-**	**-**	**-**	**4,000**
LSR. Construction - North-West	383	15,943	**16,326**	291	364	-	-	-	**655**
LSR. Construction - Moscow	996	132	**1,128**	(138)	29	-	-	-	**(109)**
LSR. Construction - Ural	136	3,557	**3,693**	71	148	-	-	-	**219**
Eliminations	-	(2)	**(2)**	-	-	-	-	-	-
LSR. Construction	1,515	19,630	**21,145**	224	541	-	-	-	**765**
LSR. Project management	5,151	92	**5,243**	(33)	1	-	-	-	**(32)**
LSR. Cranes	885	121	**1,006**	(12)	149	-	-	-	**137**
LSR. Real Estate - North-West	68,632	7	**68,639**	18,090	137	-	2,363	(181)	**20,771**
LSR. Real Estate - Moscow	38,397	-	**38,397**	6,164	42	-	6,493	-	**12,699**
LSR. Real Estate - Ural	9,218	-	**9,218**	2,020	7	-	113	-	**2,140**
LSR - Europe	220	-	**220**	(84)	5	-	-	-	**(79)**
Eliminations	118	-	**118**	22		-	-	-	**22**
LSR. Real Estate	116,585	7	**116,592**	26,212	191	-	8,969	(181)	**35,553**
Eliminations	-	(19,789)	**(19,789)**	420	-	-	-	-	**420**
Real Estate Development and Construction	**124,136**	**61**	**124,197**	**26,811**	**882**	**-**	**8,969**	**(181)**	**36,843**
Other entities	277	-	**277**	-	305	-	-	-	**305**
Unallocated income and expenses	570	-	**570**	(3,892)	-	-	-	-	**(3,892)**
Transportation revenue	4,230	-	**4,230**	-	-	-	-	-	-
Eliminations	-	(2,042)	**(2,042)**	(879)	-	23	-	-	**(856)**
Consolidated	**146,376**	**-**	**146,376**	**24,798**	**2,429**	**23**	**8,969**	**(181)**	**36,400**

** Adjusted EBITDA = Results from operating activities + Depreciation/amortisation – (Increase in fair value of Investment property – Decrease in fair value of Investment property) – (Increase in results from operating activities due to write off of change in fair value of the disposed asset – Decrease in results from operating activities due to write off of change in fair value of the disposed asset) + Impairment losses recognised during the reporting year + Capitalized interest recognized in cost of sales.*

For the year ended 31 December 2017 mln RUB	Revenue from external customers	Inter-group revenue	Total revenue	Results from operating activities (excl. management fee)	Depreci-ation/ Amortisa-tion	Capitalized interest recognized in cost of sales	Write off of change in fair value of the disposed asset	Adjusted EBITDA*
Sand	1,624	298	**1,922**	598	94	-	-	**692**
Crushed Granite	2,354	710	**3,064**	422	209	-	-	**631**
Land improvement	-	325	**325**	3	-	-	-	**3**
Eliminations	-	-	**-**	-	-	-	-	**-**
LSR. Basic Materials	3,978	1,333	**5,311**	1,023	303	-	-	**1,326**
LSR. Ready-mix Concrete	3,121	253	**3,374**	68	87	-	-	**155**
Brick	2,855	15	**2,870**	115	763	-	-	**878**
Aerated Concrete	3,511	12	**3,523**	922	158	-	-	**1,080**
Eliminations	-	-	**-**	-	-	-	-	**-**
LSR. Wall Materials	6,366	27	**6,393**	1,037	921	-	-	**1,958**
LSR. Reinforced Concrete - North-West	3,077	67	**3,144**	2,874	258	-	-	**3,132**
Eliminations	-	(860)	**(860)**	-	-	-	-	**-**
Building Materials	**16,542**	**820**	**17,362**	**5,002**	**1,569**	**-**	**-**	**6,571**
LSR. Construction - North-West	367	17,350	**17,717**	465	402	7	-	**874**
LSR. Construction - Moscow	2,089	4,478	**6,567**	(368)	88	-	-	**(280)**
LSR. Construction - Ural	825	3,231	**4,056**	202	160	-	-	**362**
Eliminations	-	(3)	**(3)**	2	-	-	-	**2**
LSR. Construction	3,281	25,056	**28,337**	301	650	7	-	**958**
LSR. Project management	1,464	3	**1,467**	(95)	1	-	-	**(94)**
LSR. Cranes	859	213	**1,072**	78	169	-	-	**247**
LSR. Real Estate - North-West	71,559	-	**71,559**	14,849	135	5,985	(1,405)	**22,374**
LSR. Real Estate – Moscow	31,101	-	**31,101**	4,303	27	3,865	-	**8,195**
LSR. Real Estate - Ural	8,463	-	**8,463**	1,467	6	327	-	**1,800**
LSR - Europe	-	-	**-**	(79)	4	-	-	**(75)**
Eliminations	93	-	**93**	2	1	-	-	**3**
LSR. Real Estate	111,216	-	**111,216**	20,542	173	10,177	(1,405)	**32,297**
Eliminations	-	(25,214)	**(25,214)**	580	-	-	-	**580**
Real Estate Development and Construction	**116,820**	**58**	**116,878**	**21,406**	**993**	**10,184**	**(1,405)**	**33,988**
Other entities	272	-	**272**	-	250	-	-	**250**
Unallocated income and expenses	2,606	-	**2,606**	(3,670)	-	-	-	**(3,670)**
Transportation revenue	2,254	-	**2,254**	-	-	-	-	**-**
Eliminations	-	(878)	**(878)**	(294)	-	-	-	**(294)**
Consolidated	**138,494**	**-**	**138,494**	**22,444**	**2,812**	**10,184**	**(1,405)**	**36,845**

** Adjusted EBITDA = Results from operating activities + Depreciation/amortisation – (Increase in fair value of Investment property – Decrease in fair value of Investment property) – (Increase in results from operating activities due to write off of change in fair value of the disposed asset – Decrease in results from operating activities due to write off of change in fair value of the disposed asset) + Impairment losses recognised during the reporting year + Capitalized interest recognized in cost of sales.*

Net financial position**

mln RUB	31 December 2018	31 December 2017
LSR. Basic Materials	-	(92)
LSR. Ready-mix Concrete	80	(5)
LSR. Wall Materials	(5,855)	(6,974)
LSR. Reinforced Concrete - North-West	(218)	1,269
LSR. Building Materials	(5,993)	(5,802)
LSR. Construction - North-West	3,193	4,563
LSR. Construction - Moscow	-	(1,713)
LSR. Construction - Ural	-	-
LSR. Construction	3,193	2,850
LSR. Project management	(1,092)	(382)
LSR. Cranes	168	100
LSR. Real Estate - North-West	(6,283)	(9,692)
LSR. Real Estate - Moscow	(50,256)	(36,225)
LSR. Real Estate - Ural	-	-
LSR - Europe	(2,899)	(861)
LSR. Real Estate	(59,438)	(46,778)
Other entities	(22,926)	(22,774)
Consolidated	**(86,088)**	**(72,786)**

***NFP (Net financial position). Net financial position is debt of the Group allocated to Business Units. Calculated as Loans and Borrowings, including finance lease payables, minus Loans given and receivables from finance leasing to Group companies.*