PJSC MOSTOTREST

Consolidated Financial Statements
for 2019
and Independent Auditors' Report

Contents

Independent Auditors' Report

To the Shareholders of PJSC MOSTOTREST

Opinion

We have audited the consolidated financial statements of PJSC MOSTOTREST (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the International Code of Ethics. 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.

Evaluation of the Amount of Costs Required to Complete Works Under a Construction Contract	
Please refer to Notes 6, 31(c) in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group recognizes revenue from construction contracts with customers based on the percentage of completion of the contract at the reporting date, which is determined by reference to the contract costs factually incurred as of the reporting date and the total expected contract costs. Estimation of costs to complete the contract and fulfil the obligations requires a high degree of professional judgement by the Group management, therefore, this is a key matter for audit purposes.	We have conducted the following audit procedures in respect of the budgeting process: — we have tested controls over the Group's budgeting process which are established to forecast costs to complete the projects and overall profitability of construction contracts, as well as controls related to the management review of the deviations from targeted performance indicators; — we have tested controls over the information collection process for accounting and recognition of revenue using the percentage of completion. We have compared the budgeted level of profitability of the projects at 31 December 2019 with the level of profitability at 31 December 2018 and critically assessed significant inconsistencies or significant changes in the project budgets as compared to the prior period. For projects completed during the reporting period, we have reviewed the historical accuracy of the forecasts for the projects by having compared the forecasts of prior periods with the actual results. For ongoing projects, we have critically assessed management assumptions and compared: — actual costs versus forecasted costs; — assumptions made in the current period versus assumptions made in prior periods. Our other substantive procedures also included sample testing of primary documents for actually incurred expenses. We have also considered sufficiency of the disclosures made by the Group.

Investment Impairment Testing	
Please refer to Note 13 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2019 the carrying value of the Group's investments in North-West Concession Company LLC, the Group's joint venture, amounted to RUB 2.6 bln, including goodwill in the amount of RUB 944 mln. The Group reviews, on annual basis, the investment for impairment purposes. The Group believes that at 31 December 2019 the recoverable amount of the investment exceeds it's carrying value. As the process of forecasting and discounting of future cash flows, which serves as the basis of the assessment of investment recoverability, implies inherent uncertainty, and the assessment itself requires significant judgment, in particular, regarding the estimation of revenue from transportation, maintenance expenses of the concession as well as the discount rate, this is a key matter for audit purposes.	We have reviewed the concession agreement and maintenance agreements for the concession object for significant changes in the contractual terms in 2019 as compared to prior years and have assessed their impact on expected operating expenses. We have conducted comparative analysis of the actual revenue from transportation and maintenance costs for the concession in 2019 as compared to forecasts for 2019 used in the financial model as at 31 December 2018, in order to assess whether the actual results significantly deviate from the forecast. We have assessed the reasonableness of the expected cash flows by having compared them with the approved forecasts, data from external sources and our estimates regarding the following key assumptions: transportation volume, inflation and discount rates. We have assessed historical accuracy of the forecasts of the Group management by having compared the forecasts for the prior periods with the actual results. We have engaged our valuation specialists to assist us in reviewing key assumptions regarding macroeconomic indicators, underlying the model of the discounted cash flows relating to the concession agreement, and the discount rates, as well as the methodology used by the Group. We have also considered whether the disclosure on sensitivity of results of the impairment model to possible changes of key assumptions made by the Group in Note 13 is appropriate and sufficient.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report of the Group 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:

АКЦИОНЕРНОЕ ОБЩЕСТВО ОГРН 1027700125628
КПМГ
KPMG
МОСКВА

Samarin M.V.

JSC "KPMG"

Moscow, Russia

21 April 2020

Mln RUB	**Note**	**31 December 2019**	**31 December 2018**
Assets			
Goodwill		1,272	1,272
Intangible assets		337	386
Property, plant and equipment	12.25	20,483	21,424
Trade and other receivables	16	71	261
Amounts due from customers	6	2,648	24,140
Equity-accounted investments	13	12,184	11,438
Deferred tax assets	11	4,916	5,823
Other non-current assets	14	858	687
Non-current assets		**42,769**	**65,431**
Inventories	15	13,934	13,974
Current income tax assets		534	83
Trade and other receivables	16	3,266	4,704
Amounts due from customers	6	31,795	16,843
Prepayments		17,906	19,389
Cash and cash equivalents	17	33,542	28,586
Cash on special accounts	17	25,137	9,672
Other current assets	14	321	96
Assets classified as held for sale		29	44
Current assets		**126,464**	**93,391**
Total assets		**169,233**	**158,822**
Equity			
Share capital	18	136	136
Additional paid-in capital		6,049	6,049
Reserves		440	348
Retained earnings		11,106	18,234
Equity attributable to owners of the Company		**17,731**	**24,767**
Non-controlling interests		1,176	2,268
Total equity		**18,907**	**27,035**
Liabilities			
Loans and borrowings	20	45,645	6,767
Trade and other payables	21	1,501	1,857
Deferred tax liabilities	11	294	167
Non-current liabilities		**47,440**	**8,791**
Loans and borrowings	20	28,055	37,578
Non-controlling interests	24(a)	821	643
Trade and other payables	21	27,171	27,643
Contract liabilities	6	45,504	54,744
Provisions	22	1,178	1,425
Current tax liabilities		157	963
Current liabilities		**102,886**	**122,996**
Total liabilities		**150,326**	**131,787**
Total equity and liabilities		**169,233**	**158,822**

These consolidated financial statements were approved by management on 21 April 2020 and were signed on its behalf by

V.N. Vlasov
General Director

O.G. Tanana
Deputy General Director for Economics and Finance

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 12 to 69.

Mln RUB		**2019**	**2018**
Revenue	6	142,559	206,303
Cost of sales	7a	(124,445)	(183,126)
Gross profit		**18,114**	**23,177**
Other income		814	948
Administrative expenses	7b	(11,300)	(10,947)
Other expenses	7c	(1,937)	(3,403)
Impairment of trade and other receivables, including assets on construction contracts		(676)	(767)
Results from operating activities		**5,015**	**9,008**
Finance income	8	3,777	3,239
Finance costs	8	(6,422)	(7,185)
Net finance costs		**(2,645)**	**(3,946)**
Share of loss of equity-accounted investees (net of income tax)	13	(361)	(1,034)
Profit before income tax		**2,009**	**4,028**
Income tax expense	11	(1,487)	(2,302)
Profit for the period		**522**	**1,726**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Net change in fair value of equity instruments measured through other comprehensive income		92	(53)
Revaluation of investment property		6	-
Other comprehensive income, net of income tax		98	(53)
Total comprehensive income for the period		**620**	**1,673**
(Loss) / profit attributable to:			
Owners of the Company		(78)	1,164
Non-controlling interests		600	562
Profit for the period		**522**	**1,726**
Total comprehensive income attributable to:			
Owners of the Company		20	1,111
Non-controlling interests		600	562
Total comprehensive income for the period		**620**	**1,673**
(Loss) / earnings per share			
Basic and diluted (loss)/earnings per share (RUB)	9	(0.28)	4.12

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 12 to 69.

Mln RUB	Attributable to equity holders of the Company							
	Share capital	**Additional paid-in capital**	**Reserve for changes in fair value**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2018	**136**	**6,049**	**306**	**95**	**17,502**	**24,088**	**1,946**	**26,034**
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	(538)	(538)	-	(538)
Adjusted balance at 1 January 2018	**136**	**6,049**	**306**	**95**	**16,964**	**23,550**	**1,946**	**25,496**
Total comprehensive income								
Profit for the period	-	-	-	-	1,164	1,164	562	1,726
Other comprehensive income								
Net change in fair value of available-for-sale financial assets	-	-	(53)	-	-	(53)	-	(53)
Total other comprehensive income	**-**	**-**	**(53)**	**-**	**-**	**(53)**	**-**	**(53)**
Total comprehensive income for the period	**-**	**-**	**(53)**	**-**	**1,164**	**1,111**	**562**	**1,673**
Transactions with owners, recorded directly in equity								
Dividends to equity holders (Note 18)	-	-	-	-	(618)	(618)	(240)	(858)
Net other contributions from (distributions to) shareholders (Note 27 (c) (iii) and (iv))	-	-	-	-	724	724	-	724
Balance at 31 December 2018	**136**	**6,049**	**253**	**95**	**18,234**	**24,767**	**2,268**	**27,035**
Balance as at 1 January 2019	**136**	**6,049**	**253**	**95**	**18,234**	**24,767**	**2,268**	**27,035**
Total comprehensive income								
Profit for the period	-	-	-	-	(78)	(78)	600	522
Other comprehensive income								
Net change in fair value of equity instruments measured through other comprehensive income	-	-	92	-	-	92	-	92
Revaluation of investment property	-	-	-	-	6	6	-	6
Total other comprehensive income	**-**	**-**	**92**	**-**	**6**	**98**	**-**	**98**
Total comprehensive income for the period	**-**	**-**	**92**	**-**	**(72)**	**20**	**600**	**620**
Transactions with owners, recorded directly in equity								
Dividends to non-controlling interests	-	-	-	-	-	-	(1,692)	(1,692)
Net distributions to and other transactions with shareholders (Note 27 (c) (iii))	-	-	-	-	(7,056)	(7,056)	-	(7,056)
Balance at 31 December 2019	**136**	**6,049**	**345**	**95**	**11,106**	**17,731**	**1,176**	**18,907**

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 12 to 69.

Mln RUB	2019	2018
Cash flows from operating activities		
Profit for the period	522	1,726
Adjustments for:		
Depreciation and amortisation	5,387	5,488
Share of loss of equity-accounted investees, net of income tax	361	1,034
Non-controlling interests	179	(182)
Loss on disposal of property, plant and equipment	20	18
Net finance costs	2,466	4,128
Income tax expense	1,487	2,302
Other non-cash items	28	5
	10,450	**14,519**
Changes in:		
Inventories	40	9,929
Trade and other receivables	1,665	2,813
Cash on special accounts (Note 17)	(15,465)	5,057
Amounts due from customers on construction contracts	5,953	866
Prepayments	1,483	2,798
Provisions	(247)	394
Trade and other payables	(2,527)	(6,760)
Contract liabilities	(9,240)	(3,906)
Cash flows (used in)/from operations before income taxes paid	**(7,888)**	**25,710**
Income tax paid	(1,750)	(2,792)
Net cash (used in)/from operating activities	**(9,638)**	**22,918**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	168	145
Acquisition of property, plant and equipment	(1,326)	(2,109)
Acquisition of intangible assets	(76)	(36)
Loans given to other organisations	(5,720)	(355)
Proceeds from repayment of loans provided to other organisations	5,429	2,441
Interest received	2,692	877
Dividends received	54	49
Net cash from investing activities	**1,221**	**1,012**
Cash flows from financing activities		
Proceeds from loans and borrowings	214,205	236,012
Repayment of loans and borrowings	(184,911)	(226,162)
Payment of lease liabilities (2018: payment of finance lease liabilities)	(2,576)	(2,991)
Interest paid	(5,725)	(6,488)
Dividends paid to equity holders of the Company	-	(670)
Dividends paid to non-controlling interests	(420)	(240)
Net other contributions from (distributions to) shareholders (Note 27 (c) (iii) and (iv))	(7,200)	545
Net cash from financing activities	**13,373**	**6**
Net increase in cash and cash equivalents	**4,956**	**23,936**
Cash and cash equivalents at 1 January, excluding cash at special accounts	28,586	4,650
Cash and cash equivalents at 31 December, excluding cash at special accounts	**33,542**	**28,586**

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 12 to 69.

1. Reporting entity

(a) Organisation and operations

PJSC MOSTOTREST (the “Company”) and its subsidiaries (the “Group”) comprise Russian public and joint stock companies, limited liability companies as defined in the Civil Code of the Russian Federation and a company located in Cyprus. The Company was established as a state-owned enterprise in 1930 and privatised as an open joint stock company in December 1992.

The Company’s registered office is 6 Barklaya str., bld. 5, Moscow, 121087, Russian Federation.

The Group’s principal activity is the construction of transport infrastructure assets, including highways; railway, highway and city bridges, overpasses, interchanges, and other engineering structures for the state municipal entities as well as the provision of services in maintenance, repair and toll-based operation of highways. The Group’s major customers are government agencies and other public bodies. The Group primarily operates in the European part of the Russian Federation.

The Company’s shares are traded under MSTT symbol on Moscow Interbank Currency Exchange (MICEX) stock exchange in Russia.

The Company’s credit rating (long-term creditworthiness) is set at “ruA+” with a stable outlook by RAEX (Expert RA).

(b) Business environment

The Group’s operations are 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. 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.

The recent conflict in Ukraine and related events have increased the perceived risks of doing business in the Russian Federation.

The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, and particularly by the USA and the European Union on PJSC Mostotrest, as well as retaliatory sanctions imposed by the Russian government has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in direct investment inflows, and a significant tightening in the availability of credit. The longer term effects of implemented sanctions as well as the threat of additional future sanctions are difficult to determine.

Notwithstanding the negative changes in business environment the management of the Group believes that the arisen turbulence in the economy will not have a material effect on the Group’s financial position or its financial results.

2. Basis of accounting

Statement of compliance

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

3. 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 presented in RUB has been rounded to the nearest million.

4. Use of estimates and judgments

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

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

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

- Note 23(b)(ii) – allowances for trade receivables, amounts due from customers on construction contracts and prepayments;
- Note 31(c)(i) – revenue recognition on construction contracts.

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

- Note 11(b) – recognised deferred tax assets and liabilities;
- Note 13 – equity-accounted investees;
- Note 15 – recoverability of costs on construction contracts at work-in-progress stage;
- Note 23(b)(ii) – allowances for trade receivables, amounts due from customers on construction contracts and prepayments;
- Note 26 – contingencies;
- Note 31 (c)(i) – revenue recognition on construction contracts.

Measurement of fair values

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

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

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 period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the note 23 – financial instruments.

5. Operating segments

Under the current structure, the Group's business is segmented into Construction and Services units. The companies included in both segments operate in the Russian Federation. Other segment includes the company which is registered and operating in Cyprus.

The financial information for the segments presented to the Group's CEO is derived from internal management reports and prepared in accordance with the same accounting standards as those used to prepare the Group's consolidated financial statements under IFRS. The Group's CEO reviews operating performance of the segments on at least a quarterly basis and allocates resources on this basis.

Financial measure / Segment	Construction		Services		Other segments		Eliminations and other		Consolidated Group	
Mln RUB	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue	126,952	191,534	17,370	15,622	-	-	(1,763)	(853)	142,559	206,303
-external revenue	126,859	191,534	15,631	14,783	-	-	69	(14)	142,559	206,303
-intersegment revenue	93	-	1,739	839	-	-	(1,832)	(839)	-	-
Cost of sales	(112,206)	(171,660)	(13,995)	(12,313)	-	-	1,756	847	(124,445)	(183,126)
Gross profit	14,746	19,874	3,375	3,309	-	-	(7)	(6)	18,114	23,177
Operating result	3,092	7,208	1,923	1,798	(4)	(5)	4	7	5,015	9,008
Profit/(loss) before income tax	2,950	4,026	1,719	1,687	(82)	(1,326)	(2,578)	(359)	2,009	4,028
Income tax expense	(1,013)	(1,880)	(371)	(375)	(105)	(47)	2	-	(1,487)	(2,302)
Segment result	**1,937**	**2,146**	**1,348**	**1,312**	**(187)**	**(1,373)**	**(2,576)**	**(359)**	**522**	**1,726**
Depreciation and amortisation	4,186	4,364	1,197	1,128	-	-	4	(4)	5,387	5,488
Share in profit/(loss) of associated companies, net of income tax	497	508	-	-	(858)	(1,542)	-	-	(361)	(1,034)
Non-controlling interests, recognised as finance income and expense	(179)	182	-	-	-	-	-	-	(179)	182
Capital expenditures	2,915	1,974	1,183	2,595	-	-	-	-	4,098	4,569

	31 December									
Mln RUB	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Non-current assets	37,536	60,368	5,476	5,486	1,459	1,156	(1,702)	(1,579)	42,769	65,431
Current assets	131,169	96,104	4,548	4,421	2	6	(9,284)	(7,184)	126,435	93,347
Assets classified as held for sale	29	44	-	-	-	-	-	-	29	44
Total assets	**168,734**	**156,516**	**10,024**	**9,907**	**1,461**	**1,162**	**(10,986)**	**(8,763)**	**169,233**	**158,822**
Non-current liabilities	45,859	8,873	1,585	1,618	42	-	(46)	(1,700)	47,440	8,791
Current liabilities	100,389	120,146	6,235	3,214	5,211	4,767	(8,949)	(5,131)	102,886	122,996
Total liabilities	**146,248**	**129,019**	**7,820**	**4,832**	**5,253**	**4,767**	**(8,995)**	**(6,831)**	**150,326**	**131,787**
Non-controlling interests	**-**	**-**	**405**	**309**	**-**	**-**	**771**	**1,959**	**1,176**	**2,268**

The Group initially applied IFRS 16 at 1 January 2019, which resulted in the recognition of right-of-use assets and lease liabilities for lease contracts that had previously been classified as operating leases (see Note 30(a)). As a result, the Group recognised RUB 652 million of right-of-use assets and RUB 652 million of liabilities from these lease contracts. The assets and liabilities are included in the Construction segment (right-of-use assets in the amount of RUB 1,116 million and lease liabilities in the amount of RUB 1,239 million) and Service segment (right-of-use assets in the amount of RUB 196 million and lease liabilities in the amount of RUB 195 million) as at 31 December 2019. The Group applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated (see Note 30(a)).

Major customers

In 2019 revenue from two customers individually exceeded 10% of the Group's total revenue. Revenue from one of the customers accounted for RUB 56,988 million (40% of the Group's total revenue) and is included in the Construction and Services segments. The second customer contributed RUB 39,401 million (28% of the Group's total revenue) and is included in the Construction segment.

In 2018 revenue from three customers individually exceeded 10% of the Group's total revenue. Revenue from one of the customers accounted for RUB 63,921 million (31% of the Group's total revenue) and is included in the Construction and Services segments. The second customer contributed RUB 60,797 million (29% of the Group's total revenue) and is included in the Construction segment. The third customer contributed RUB 37,300 million (18% of the Group's total revenue) and is included in the Construction and Services segments.

6. Revenue

Mln RUB	**2019**	**2018**
Revenue from contracts for construction of:		
bridges and highways	113,509	168,722
airfields and airports	6,174	19,165
railway infrastructure facilities	4,690	547
other facilities	2,053	2,059
Total revenue from construction contracts	126,426	190,493
Revenue from maintenance and repair of roads	15,631	14,783
Other revenue	502	1,027
Total revenue	**142,559**	**206,303**

Other revenue includes revenue from sales of several types of construction products of its own production and construction materials to outside customers.

Revenue from construction contracts and contracts on provision of maintenance and repair of roads services are recognised over time. Revenue from other contracts with customers is recognised at a point in time.

Below is the information on the geographical allocation of revenue from construction contracts. This allocation is made based on the geographical location of construction sites:

Mln RUB	**2019**	**2018**
Central Federal District	102,067	133,646
Southern Federal District	12,849	38,088
Far Eastern Federal District	6,018	6,251
Northwestern Federal District	3,266	9,339
Volga Federal District	1,603	1,533
Siberian Federal District	623	1,636
Total revenue from construction contracts	**126,426**	**190,493**

Below is the information on the geographical allocation of revenue from maintenance and repair of roads:

Mln RUB	**2019**	**2018**
Central Federal District	13,983	14,483
Southern Federal District	969	300
Northwestern Federal District	679	-
Total revenue from maintenance and repair of roads	**15,631**	**14,783**

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

Mln RUB	**31 December 2019**	**31 December 2018**
Amounts due from customers on construction contracts include:		
Customers' receivables	22,959	34,805
Contract assets	11,484	6,178
Contract liabilities	(45,504)	(54,744)
	(11,061)	**(13,761)**

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The amount of contract assets during the period ended 31 December 2019 was impacted by an impairment charge of RUB 29 million (2018: RUB 68 million). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group signs protocol of acceptance of work performed with customers.

The contract liabilities primarily relate to the advance consideration received from customers on construction contracts.

The retentions on construction contracts are amounts of progress billings that are not paid until the conditions specified in the contract are met.

As at 31 December 2019 amounts due from customers on construction contracts included retentions in respect of constructions in progress in the amount of RUB 5,863 million (2018: RUB 27,910 million).

The significant changes in contract assets and contract liabilities on contracts with customers for the reporting period are presented in the following table:

Mln RUB	**Contract assets**	**Contract liabilities**
Revenue recognised during the period less revenue recognised in the contract liability at the beginning of the period	83,273	-
Transfers from contract assets to receivables	(77,141)	-
Revenue recognised in the contract liability at the beginning of the period	-	43,153
Cash inflow, excluding cash received, excluding amounts recognised as revenue during the period	-	(33,407)
Change in revenue recognised for the period from obligations fulfilled (partially fulfilled) in previous periods	(865)	(506)
Change in allowance for impairment	39	-
	5,306	**9,240**

The following table provides information about remaining performance obligations on construction contracts concluded as at 31 December 2019 by periods of their completion.

The period to complete	Contract liabilities
2020	127,909
2021-2039	152,505
	280,414

7. Expenses

(a) Cost of sales

Mln RUB	2019	2018
Services of subcontractors	53,312	84,801
Materials	25,591	45,113
Personnel expenses	20,239	22,861
Labor, transport, machinery and equipment received	5,192	8,912
Depreciation and amortisation	4,973	5,065
Design works	2,293	1,753
Bank guarantees costs	1,520	1,959
Insurance	1,055	1,143
Other	10,270	11,519
	124,445	**183,126**

(b) Administrative expenses

Mln RUB	2019	2018
Personnel expenses	8,287	7,683
Services provided by third parties	1,030	1,009
Depreciation and amortisation	400	336
Taxes other than income tax	294	439
Materials	279	271
Social expenses	236	255
Insurance	135	139
Business trip expenses	126	169
Rent expense	112	188
Other administrative expenses	401	458
	11,300	**10,947**

(c) Other expenses

Other expenses mainly consist of allowances for doubtful advances given to subcontractors and amounts related to impairment and disposal of inventories.

8. Net finance costs

Mln RUB	2019	2018
Recognised in profit or loss:		
Interest income on long-term investment contracts	2,216	1,841
Net change in fair value of loans provided to equity-accounted investees	1,096	555
Effect of discounting financial assets	264	434
Interest income on bank deposits	124	117
Interest income on loans given	70	110
Foreign exchange gain	7	-
Non-controlling interests	-	182
Total finance income	**3,777**	**3,239**
Interest expense on borrowings	(5,286)	(5,958)
Interest expense on leases	(522)	(651)
Effect of discounting financial liabilities	(435)	(576)
Non-controlling interests	(179)	-
Total finance costs	**(6,422)**	**(7,185)**
Net finance costs recognised in profit or loss for the period	**(2,645)**	**(3,946)**

9. (Loss)/ earnings per share

The calculation of basic (loss)/earnings per share for 2019 was based on the loss attributable to the ordinary shareholders of RUB 78 million (2018: profit RUB 1,164 million), and a weighted average number of outstanding ordinary shares of 282,215,500 (2018: 282,215,500), calculated as shown below. The Company does not have dilutive potential ordinary shares.

	2019	2018
Issued shares at 1 January and 31 December	282,215,500	282,215,500
Weighted-average number of shares for the period ended 31 December	**282,215,500**	**282,215,500**
(Loss)/profit attributed to shareholders (mln RUB)	**(78)**	**1,164**
Basic and diluted (loss)/earnings per share (RUB)	**(0.28)**	**4.12**

10. Employee benefit expenses

Mln RUB	2019	2018
Wages and salaries	22,299	23,855
Contributions to State pension fund	6,227	6,689
	28,526	**30,544**

11. Income taxes

The Group’s applicable tax rate is 20% that represents income tax rate for Russian companies (2018: 20%).

(a) Amounts recognised in profit or loss

Mln RUB	2019	2018
Current tax expense		
Current year	485	3,833
Adjustments of prior years tax	8	151
	493	3,984
Deferred tax expense		
Origination and reversal of temporary differences	994	(1,682)
	994	(1,682)
Total income tax expense recognised in profit or loss	1,487	2,302
Income tax recognised in other comprehensive income	(24)	14
Total income tax expense	**1,463**	**2,316**

Reconciliation of effective tax rate:

	2019		2018	
	Mln RUB	%	Mln RUB	%
Profit before income tax	2,009	100%	4,028	100%
Income tax at applicable tax rate	402	20%	806	20%
Non-deductible expenses	1,133	56%	1,370	34%
Adjustments of prior years tax	8	0%	151	4%
Tax on dividends	7	0%	4	0%
Effect of tax rates in foreign jurisdictions	(63)	-3%	(29)	(1%)
	1,487	**75%**	**2,302**	**57%**

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Mln RUB	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Property, plant and equipment	-	-	(1,133)	(1,214)	(1,133)	(1,214)
Intangible assets	-	-	1	-	1	-
Investments	-	-	(548)	(394)	(548)	(394)
Inventories	205	93	-	-	205	93
Trade and other receivables	1,541	2,138	-	-	1,541	2,138
Net contract assets and liabilities	2,901	4,210	(6)	-	2,895	4,210
Loans and borrowings	-	-	(7)	(19)	(7)	(19)
Trade and other payables	694	833	-	(4)	694	829
Provisions	99	84	-	-	99	84
Other	6	8	(69)	(82)	(63)	(74)
Tax loss carry-forwards	938	3	-	-	938	3
Net tax assets/(liabilities)	6,384	7,369	(1,762)	(1,713)	4,622	5,656
Set off of tax	(1,468)	(1,546)	1,468	1,546	-	-
Tax assets/(liabilities)	**4,916**	**5,823**	**(294)**	**(167)**	**4,622**	**5,656**

As at 31 December 2019 the Group recognised deferred tax asset in the amount of RUB 938 million in respect of tax loss carry-forwards. As disclosed in Note 28, on April 17, 2020, the Board of Directors approved the draft decision of the extraordinary general meeting of the shareholders on the restructuring of the Company in the form of a spin-off. As as result, the Company might not be able to generate a sufficient amount of taxable profit in subsequent periods. Since the decision on the restructuring will made after the end of the reporting period, the provision for the deferred tax asset, if required, will be assessed during the preparation of the Group’s consolidated financial statements for the year 2020.

(c) Movement in deferred tax balances

Mln RUB	1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	31 December 2019
Property, plant and equipment	(1,214)	81	-	-	(1,133)
Intangible assets	-	1	-	-	1
Investments	(394)	(130)	(24)	-	(548)
Inventories	93	112	-	-	205
Trade and other receivables	2,138	(597)	-	-	1,541
Net contract assets and liabilities	4,210	(1,315)	-	-	2,895
Trade and other payables	829	(135)	-	-	694
Loans and borrowings	(19)	28	-	(16)	(7)
Provisions	84	15	-	-	99
Other	(74)	11	-	-	(63)
Tax loss carry-forwards	3	935	-	-	938
	5,656	**(994)**	**(24)**	**(16)**	**4,622**

Mln RUB	1 January 2018	Recognised in profit or loss	Recognised in other comprehensive income	Acquisition through business combination	31 December 2018
Property, plant and equipment	(1,256)	42	-	-	(1,214)
Intangible assets	(90)	90	-	-	-
Investments	(314)	(94)	14	-	(394)
Inventories	115	(22)	-	-	93
Trade and other receivables	2,019	(13)	-	132	2,138
Net contract assets and liabilities	1,940	2,261	-	9	4,210
Trade and other payables	1,219	(390)	-	-	829
Loans and borrowings	3	23	-	(45)	(19)
Provisions	179	(95)	-	-	84
Other	44	(118)	-	-	(74)
Tax loss carry-forwards	5	(2)	-	-	3
	3,864	**1,682**	**14**	**96**	**5,656**

(d) Unrecognised deferred tax liabilities

At 31 December 2019 the Group had a deferred tax liability of RUB 652 million (2018: RUB 588 million) in respect of temporary differences of RUB 3,259 million (2018: RUB 2,941 million) that was related to investments in subsidiaries and joint ventures. However, this liability was not recognised because the Group controls the dividend policy of its subsidiaries and is able to veto the payment of dividends of its joint ventures – i.e. the Group controls the timing of reversal of the related taxable temporary differences and management is confident that they will not be reversed in the foreseeable future.

12. Property, plant and equipment

Mln RUB	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Equipment for installation and advances given	Total
Cost or deemed cost							
Balance as at 1 January 2018	455	11,008	27,230	10,357	1,414	249	50,713
Additions	16	76	1,532	1,565	625	717	4,531
Reclassification and transfers from other balance sheet line items	3	(320)	(390)	508	365	(24)	142
Disposals	-	(284)	(1,587)	(728)	(53)	-	(2,652)
Reclassification to/from assets classified as held for sale	38	36	(55)	(83)	-	-	(64)
Transfers	-	443	81	11	3	(538)	-
Balance as at 31 December 2018	512	10,959	26,811	11,630	2,354	404	52,670
Impact of adopting IFRS 16	362	290	-	-	-	-	652
Additions	185	1,432	896	751	637	121	4,022
Reclassification to other balance sheet line items	-	(35)	-	-	-	-	(35)
Disposals	(2)	(706)	(1,048)	(285)	(68)	-	(2,109)
Reclassification to assets classified as held for sale	-	-	(26)	(75)	-	-	(101)
Transfers	189	60	93	5	-	(347)	-
Balance as at 31 December 2019	**1,246**	**12,000**	**26,726**	**12,026**	**2,923**	**178**	**55,099**
Depreciation and impairment losses							
Balance as at 1 January 2018	-	3,686	14,843	9,109	708	-	28,346
Depreciation for the period	-	968	2,969	1,219	403	-	5,559
Reclassification to/from assets classified as held for sale	-	-	(50)	(69)	-	-	(119)
Disposals	-	(201)	(1,582)	(708)	(49)	-	(2,540)
Balance as at 31 December 2018	-	4,453	16,180	9,551	1,062	-	31,246
Depreciation for the period	196	873	2,963	932	355	-	5,319
Reclassification to other balance sheet line items	-	(5)	-	-	-	-	(5)
Reclassification to assets classified as held for sale	-	-	(21)	(70)	-	-	(91)
Disposals	-	(592)	(908)	(285)	(68)	-	(1,853)
Balance as at 31 December 2019	**196**	**4,729**	**18,214**	**10,128**	**1,349**	**-**	**34,616**
Carrying amounts							
Balance as at 1 January 2018	**455**	**7,322**	**12,387**	**1,248**	**706**	**249**	**22,367**
Balance as at 31 December 2018	**512**	**6,506**	**10,631**	**2,079**	**1,292**	**404**	**21,424**
Balance as at 31 December 2019	**1,050**	**7,271**	**8,512**	**1,898**	**1,574**	**178**	**20,483**

In 2019 depreciation expense of RUB 4,968 million (2018: RUB 5,056 million) was charged to cost of sales, RUB 280 million (2018: RUB 221 million) to administrative expenses, RUB 14 million (2018: RUB 87 million) to other expenses.

(a) Security

No material assets were pledged as at 31 December 2019 and 2018 except for those received under finance lease agreements.

(b) Leased property, plant, and equipment (classified as finance lease under IAS 17)

The Group leases production equipment under a number of finance lease agreements. Certain leases provide the Group with the option to purchase the assets at a beneficial price at the end of the lease terms. As at 31 December 2018 the net book value of leased property, plant, and equipment was RUB 7,563 million.

The leased property, plant, and equipment secure lease obligations.

During 2018 the Group acquired equipment under finance lease of RUB 2,272 million.

13. Investments in equity-accounted entities

At 31 December 2019 the Group's investments comprised of 50% indirect interests in the share capital of joint ventures North-West Concession Company LLC (NWCC) and United Toll Systems LLC (UTS) as well as 25.002% direct interest in the share capital of an associate JSC Mostostroy-11.

None of the Group's equity accounted investees is a publicly listed entity, and consequently does not have published price quotations.

Mln RUB	**Note**	**31 December 2019**	**31 December 2018**
Investments in equity-accounted entities:			
NWCC	(a)	2,618	3,476
UTS	(a)	1,987	1,545
Mostostroy-11	(c)	2,367	2,366
Total investments in equity-accounted entities		**6,972**	**7,387**
Loans given to equity-accounted entities:			
NWCC		5,212	4,051
Total loans given to equity-accounted entities		**5,212**	**4,051**
Total investments in equity-accounted entities		**12,184**	**11,438**

The loan given to the joint venture is accounted for as a financial asset measured at fair value through profit or loss (refer to Note 23– Financial instruments).

(a) Joint ventures

The following table summarises the financial information of UTS and NWCC as included in their individual financial statements adjusted for the effects of fair valuation of assets and liabilities at the date of acquisition and the differences in the accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in UTS and NWCC.

	UTS	
Mln RUB	**31 December 2019**	**31 December 2018**
Percentage ownership interest	**50%**	**50%**
Non-current assets	1,323	2,067
Current assets (including cash and cash equivalents – 2019: RUB 4,883 mln, 2018: RUB 1,449 mln)	4,883	4,330
Non-current liabilities (including non-current financial liabilities and excluding trade and other payables and provisions – 2019: RUB 620 mln, 2018: RUB 1,170 mln)	(620)	(1,170)
Current liabilities (including current financial liabilities and excluding trade and other payables and provisions – 2019: RUB 603 mln, 2018: RUB 615 mln)	(1,613)	(2,138)
Net assets (100 %)	3,973	3,089
Group's share of net assets (50 %)	1,987	1,545
Carrying amount of equity-accounted investment	**1,987**	**1,545**

	2019	**2018**
Revenue	6,776	6,549
Depreciation and amortisation	(162)	(104)
Interest expense	(131)	(178)
Income tax expense	(287)	(247)
Profit and total comprehensive income (100 %)	884	750
Profit and total comprehensive income (50 %)	442	375
Group's share of profit and total comprehensive income (50%)	**442**	**375**

	NWCC	
Mln RUB	**31 December 2019**	**31 December 2018**
Percentage ownership interest	**50%**	**50%**
Non-current assets	44,625	45,129
Current assets (including cash and cash equivalents – 2019: RUB 4,269 mln, 2018: RUB 3,103 mln)	7,453	6,323
Non-current liabilities (including non-current financial liabilities and excluding trade and other payables and provisions – 2019: RUB 37,014 mln, 2018: RUB 37,324 mln)	(44,545)	(43,230)
Current liabilities (including current financial liabilities and excluding trade and other payables and provisions – 2019: RUB 2,897 mln, 2018: RUB 2,487 mln)	(4,651)	(3,625)
Net assets (100 %)	2,882	4,597
Group's share of net assets (50 %)	1,441	2,299
Goodwill	944	944
Additional contribution	233	233
Carrying amount of equity-accounted investment	**2,618**	**3,476**

	2019	**2018**
Revenue	5,816	6,068
Depreciation and amortisation	(1,831)	(1,723)
Interest expense	(5,070)	(4,674)
Income tax benefit/(expense)	336	(125)
Loss and total comprehensive loss (100 %)	(1,716)	(3,083)
Loss and total comprehensive loss (50 %)	(858)	(1,542)
Group's share of loss and total comprehensive loss (50%)	**(858)**	**(1,542)**

The major asset of NWCC is the concession agreement, an identifiable amortizable intangible asset with the carrying value of RUB 39,209 million as at 31 December 2019 (2018: RUB 38,755 million). The intangible asset is amortized over the life of the concession agreement (till 2041). The goodwill on acquisition in the amount of RUB 944 million is included in the carrying amount of the investment in the joint venture.

(b) Impairment testing

The Group carried out an impairment test with respect to its investment in NWCC as at 31 December 2019. The recoverable amount of the Group's investment in the joint venture was estimated to be higher than its carrying amount and therefore no provision for impairment was recognised as at 31 December 2019.

The recoverable amount of the investment in the joint venture was estimated based on the present value of the future cash flows expected to be derived from the investment over the life of the concession agreement (value in use). The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represented management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources.

	2019	**2018**
Discount rate	11.00%	11.10%
Traffic revenue (compounded average annual) growth rate	6.36%	6.60%
Budgeted EBITDA (compounded average annual) growth rate	7.41%	7.80%

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 47.5% at a market interest rate of 11.0%.

The Group engaged an independent traffic advisor specialized in development of transportation models and forecast of traffic to make traffic growth projections and revenue forecast. The traffic revenue forecast was adjusted to take into account inflation over the period of the concession agreement.

Budgeted EBITDA was estimated taking into account past experience of forecasting the costs of constructing and operating such an asset as well as the projected traffic revenue.

The cash flow projections included specific estimates for the period through the end of the concession agreement due to the fact that the traffic and revenue projections covered the periods through the end of the concession agreement.

The estimated recoverable amount of the investment exceeded its carrying amount by approximately RUB 6,489 million. Management has identified three key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The amount that these three assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount is presented below:

1. The discount rate should increase to 14.95%;
2. EBITDA should decrease by 25.3%;
3. Revenue should decrease by 19.8%.

The Group carried out an impairment test with respect to this investment at the end of 2018 as well. As at 31 December 2018 the recoverable amount of the investment was estimated to be higher than its carrying amount and therefore no provision for impairment was recognised as at that date either.

(c) Associate

The following table summarises the financial information of the associate as included in its individual financial statements and adjusted for the effects of fair valuation of assets and liabilities at the date of acquisition and the differences in the accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group’s interest in this company.

	Mostostroy-11	
Mln RUB	**31 December 2019**	**31 December 2018**
Percentage ownership interest	**25.002%**	**25.002%**
Non-current assets	10,051	6,759
Current assets	14,611	12,499
Non-current liabilities	(4,731)	(1,976)
Current liabilities	(11,129)	(8,483)
Net assets (100%)	8,802	8,799
Group's share of net assets (25.002%)	2,201	2,200
Goodwill	166	166
Carrying amount of interest in the associate	**2,367**	**2,366**

	2019	**2018**
Revenue	20,171	22,335
Profit and total comprehensive income (100%)	218	532
Profit and total comprehensive income (25.002%)	55	133
Group's share of profit and total comprehensive income (25.002%)	**55**	**133**
Dividends received by the Group	**54**	**32**

14. Other assets

Mln RUB	**31 December 2019**	**31 December 2018**
Loans given	393	182
Investments measured at fair value through other comprehensive income	430	315
Bank deposits with maturities more than 3 months	34	33
Other investments	322	253
	1,179	**783**
Non-current	858	687
Current	321	96
	1,179	**783**

The Group's exposure to credit, currency and interest rate risks related to other assets is disclosed in Note 23.

15. Inventories

Mln RUB	**31 December 2019**	**31 December 2018**
Construction materials	11,617	10,525
Work in progress	1,786	3,070
Finished goods and goods for resale	531	379
	13,934	**13,974**

As at 31 December 2019 the work-in-progress included construction costs in the amount of RUB 1,711 million (2018: RUB 2,998 million) under the projects for which new construction contracts with customers have not been concluded. The Group assesses these costs as recoverable and expects that the new construction contracts with customers will be concluded in the foreseeable future. This assessment is based on the established long-term business relationships with these customers, the unconditional fulfillment of their obligations to pay for the works performed in previous years, the existing specific plans and schedules of actions, which are timely executed by customers, and the obtained positive conclusions of technical expertise on certain construction projects.

16. Trade and other receivables

Mln RUB	**31 December 2019**	**31 December 2018**
Trade receivables	2,495	3,581
Value added tax	504	830
Taxes other than income tax	30	43
Other receivables	308	511
	3,337	**4,965**
Non-current	71	261
Current	3,266	4,704
	3,337	**4,965**

The Group’s exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 23(b)(ii).

17. Cash and cash equivalents

Mln RUB	**31 December 2019**	**31 December 2018**
Cash at banks	7,840	19,971
Bank deposits with maturities less than 3 months	25,702	8,615
	33,542	**28,586**
Cash at special accounts	**25,137**	**9,672**

Cash at special accounts

Cash at special accounts in the amount of RUB 25,137 million as at 31 December 2019 (2018: RUB 9,672 million) represents cash received from customers, the state entities, for specific financing of certain construction projects as part of treasury or bank supervision over certain public construction contracts. The use of these funds is regulated by Resolutions of the Government of the Russian Federation № 70 dated 04 February 2016, № 963 dated 20 September 2014, № 1563 dated 27 December 2014, and the Order of the Ministry of Finance of the Russian Federation № 213n dated 25 December 2015, which set out purposes, procedures and terms the Group should comply with in order to use the funds.

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23.

18. Capital and reserves

(a) Share capital

Number of shares unless otherwise stated	**Ordinary shares**	
	2019	**2018**
Authorised shares	282,215,500	282,215,500
Par value	0.14 RUB	0.14 RUB
On issue at 1 January	282,215,500	282,215,500
On issue at end of year, fully paid	**282,215,500**	**282,215,500**

Ordinary shares

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

(b) 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.

During 2019 dividends to shareholders were not distributed and were not paid (2018: RUB 618 million, or RUB 2.19 per share).

(c) Fair value reserve

The fair value reserve comprises of cumulative net changes in the fair value of equity investments, which are accounted for at fair value through other comprehensive income, until the investments are derecognised or impaired.

19. 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 the 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.

20. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 23.

Mln RUB	31 December 2019	31 December 2018
Current liabilities		
Unsecured bonds	399	5,531
Unsecured bank loans	25,804	29,776
Lease liabilities	1,852	2,271
	28,055	37,578
Non-current liabilities		
Unsecured bank loans	35,800	-
Unsecured bonds	7,515	4,915
Lease liabilities	2,330	1,852
	45,645	6,767
Total loans and borrowings	**73,700**	**44,345**

As at the reporting date, the Group breached several covenants contained in the loan agreement with one of the lender-banks, namely the covenants relating to the ratios of EBIT to net finance costs, shareholders' equity to the total assets and changes in the shareholders' equity. As a result, the creditor is entitled to claim for early repayment of the loan at any time. As at 31 December 2019 the outstanding balance of this unsecured long-term bank loan amounted to RUB 9,934 million and was reclassified by the Group to the current liabilities. Under the terms of the loan agreement the bank loan is repayable in 2023. The Group is currently in negotiation with the bank with an aim to revise the breached covenants. The management believes that fines due to the breach of these covenants will not be charged to the Group.

Finance lease liabilities are payable as follows:

Mln RUB	Future minimum lease payments	Interest	Present value of minimum lease payments
31 December 2018			
Less than one year	2,600	329	2,271
Between 1 and 5 years	2,041	189	1,852
	4,641	**518**	**4,123**

Finance lease liabilities at 31 December 2018 were secured by the leased assets, see Note 12.

Reconciliation of movements of liabilities and cash flows arising from financing activities are presented below:

mln RUB	Liabilities			
	Bonds	**Other loans and borrowings**	**Lease liabilities**	**Total**
Balance at 31 December 2018	10,446	29,776	4,123	44,345
Impact of adopting IFRS 16 since 1 January 2019	-	-	652	652
Balance at 1 January 2019	10,446	29,776	4,775	44,997
Changes attributable to cash flows from financing activities				
Proceeds from loans and borrowings	302	213,903	-	214,205
Repayment of borrowings	-	(182,208)	-	(182,208)
The effect of discounting	-	(81)	-	(81)
Partial redemption of bonds issued	(2,703)	-	-	(2,703)
Payment of lease liabilities	-	-	(2,576)	(2,576)
Interest paid	(1,129)	(4,074)	(522)	(5,725)
Total changes attributable to cash flows from financing activities	**(3,530)**	**27,540**	**(3,098)**	**20,912**
Other changes				
Attributable to obligations				
New lease agreements	-	-	1,983	1,983
Interest expense	998	4,288	522	5,808
Total other changes attributable to obligations	**998**	**4,288**	**2,505**	**7,791**
Balance at 31 December 2019	**7,914**	**61,604**	**4,182**	**73,700**

All loans and borrowings of the Group are denominated in Russian Roubles.

The bank loans are attracted under fixed and floating interest rates. The weighted-average effective interest rates as at the reporting date were as follows:

	2019	**2018**
Unsecured bonds	11.1%	11.9%
Unsecured bank loans	8.7%	9.0%
Lease liabilities	12.6%	14.7%

21. Trade and other payables

Mln RUB	**31 December 2019**	**31 December 2018**
Trade payables	12,969	15,242
Value added tax payable	7,539	7,324
Payables to personnel	5,149	5,166
Taxes payable other than income tax and value added tax	960	1,029
Other payables and accrued expenses	2,055	739
	28,672	**29,500**
Long-term	1,501	1,857
Short-term	27,171	27,643
	28,672	**29,500**

The Group’s exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 23(b)(iii) and 23(b)(iv).

22. Provisions

As at 31 December 2019 provisions in these consolidated financial statements are presented mainly by provisions for potentially loss-making construction contracts and provisions for potential losses as a result of legal proceedings.

23. Fair values and risk management

(a) Measurement of fair values

Except for bonds issued, the fair values of financial assets and liabilities, which are not measured at fair value, were not significantly different from their carrying amounts as at the reporting date due to the short-term nature of these instruments. The fair values of bonds issued, which are accounted for at amortised cost, were equal to RUB 8,007 million as at 31 December 2019 (2018: RUB 10,260 million).

Financial assets, which are measured at fair value through profit or loss, primarily consist of a long-term loan given to the joint venture. The loan is provided under fixed interest rate of 9.5% per annum with quarterly capitalization of interest and is payable in 2030. The fair value of this loan amounted to RUB 5,212 million as at 31 December 2019 (2018: RUB 4,051 million). Inputs for the valuation of this financial instrument are not based on observable market data (unobservable inputs (hierarchy level 3)). The fair value of this loan is calculated by using the discounted cash flow model based on expected cash flows and average market interest rate on shareholders' loans as at the reporting date. This calculation requires management to make certain assumptions and estimates in relation to the inputs in the valuation technique used, including about future cash flows, discount rate, credit and project risks and volatility on the markets. The expected cash flows from the loan was calculated in accordance with the provisions of the subordinated loan agreement with the joint venture and amounted to RUB 23,615 million as at 31 December 2019. Average market interest rate on shareholders' loans, which reflects credit and project risks, was 14.10% at the reporting date. The unrealized gain from the change in fair value of this financial instrument reported within financial income in the Statement of Profit or Loss is amounted to RUB 1,096 million for the reporting period. Should the discount rate increase/(decrease) by 1% provided other inputs unchanged, the fair value of this loan would (decrease)/increase by RUB (518) million and RUB 577 million, respectively.

Financial assets, which are measured at fair value through other comprehensive income, are represented by shares of a public financial institution. As at 31 December 2019 the fair value of these shares amounted to RUB 430 million (2018: RUB 315 million). Inputs for the valuation of these financial instruments are based on quoted prices (unadjusted) in active stock market of the Moscow Stock Exchange (hierarchy level 1).

The basis for determining fair values is disclosed in Note 4.

(b) Financial risk management

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

- credit risk (see 23(b)(ii));
- liquidity risk (see 23(b)(iii));
- market risk (see 23(b)(iv)).

(i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The management is responsible for developing and monitoring the Group's risk management policies. The management 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's 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's 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.

(ii) 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.

Amounts due from customers on construction contracts, Trade and other receivables, contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The dominant share of revenue is derived from two customers (68% of total revenue in 2019, 75% in 2018 from three customers). In addition the trade receivables and contract assets (refer to Note 6) consist of receivables from government agencies and other government organizations. Therefore, there is a concentration of credit risk with respect to such customers. The concentration of credit risk with respect to sales transactions with a single customer is disclosed in Note 5.

In monitoring customer credit risk, at the initial stage the Group's ultimate customers are typically divided into the following broad categories:

- Federal State agencies. This category consists of agencies of the Russian Ministry of Transport, primarily the federal highway agency, Rosavtodor, the federal railway agency, and Roszheldor.
- State-owned corporations and state-funded companies. This category consists of State-owned corporations, primarily Russian Highways.
- Regional authorities. This category consists of local governments such as the Moscow city government, and local government entities or authorities.
- Municipal authorities. This category consists of municipal authorities.
- Private customers, including public private partnership concessionaires. This category consists of private construction companies and concessionaires for public private partnerships (PPP).
- Related party customers. This category mainly consists of customers controlled by shareholders of the Company.

The description of categories of customers for purposes of computation of expected credit losses is provided in Note 31(1)(vi).

The Group's contracts usually require an annual advance payment from its customers of up to 30% of the anticipated annual work amount. The Group typically uses this amount to finance some of its raw materials, fuel and labour costs. However, the Group is typically required to provide its customers with a bank guarantee covering the refund of this amount if the Group fails to perform its contractual obligations. Most of the Group's construction contracts provide for monthly progress payments in arrears based on a schedule of works performed during that month.

The Group issues its invoices to customers in accordance with terms specified in the relevant contracts, which generally require payment within 1 to 30 days after the invoice date. To ensure the timely collection of its account receivables and to minimise the incurrence of bad debts, the Group has implemented management controls and established collection monitoring and investigation procedures to manage its accounts receivable and work-in-progress. It regularly monitors the status of accounts receivable and work-in-progress and actively seeks to manage the risk of non-payment or late payment.

The Group establishes an allowance for impairment that represents its estimate of losses in respect of amounts due from customers on construction contracts, trade and other receivables. At the beginning the Group estimates the amount of impairment based on the incurred losses, then the additional amount of impairment in respect of expected in the future additional credit losses.

Impairment losses

The carrying amount of financial assets represents the maximum credit risk exposure of the Group. As at the reporting date the ageing of trade and other receivables and amounts due from customers on construction contracts was as follows:

Mln RUB

	31 December 2019		**31 December 2018**	
	Gross carrying amount	**Impairment**	**Gross carrying amount**	**Impairment**
Trade and other receivables				
Not past due	1,632	(12)	3,480	(103)
Past due 0-183 days	754	(184)	126	(12)
Past due more than 183 days	5,024	(4,411)	4,597	(3,996)
Amounts due from customers on construction contracts				
Not past due	32,799	(73)	41,408	(863)
Past due 0-183 days	1,363	(58)	447	(9)
Past due more than 183 days	2,663	(2,251)	1,459	(1,459)
	44,235	**(6,989)**	**51,517**	**(6,442)**

Out of total carrying amount of trade and other receivables and contract assets the two most significant customers of the Group account for RUB 18,712 million as at 31 December 2019 (2018: two customers with the amount of RUB 32,140 million).

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

Mln RUB	**31 December 2019**	**31 December 2018**
Opening balance	6,442	5,130
Adjustment on initial application of IFRS 9 as at 1 January 2018	-	706
Change in provision recognized in the statement of profit or loss	676	767
Amounts written off against provisions	(129)	(161)
Closing balance	**6,989**	**6,442**

As at 31 December 2019 the allowance for impairment of financial assets on a collective assessment basis is amounted to RUB 283 million (2018: RUB 291 million).

Total amount of impairment calculated based on past incurred losses on an individual basis in respect of trade and other receivables and contract assets and recognised during the reporting period is amounted to RUB 6,706 million (2018: RUB 6,151 million). This amount was determined based on professional judgment of the management of the Group in accordance with the accounting policy of the Group. Taking into account all available information in respect of these projects and negotiations with customers the management of the Group believes that recognizing receivables on these contracts as fully recoverable as at 31 December 2019 does not reflect significant uncertainty related to fulfillment of these projects as well as the credit risk, in connection with which the relevant impairment allowance was accrued.

The following table provides information about the exposure to the credit risk and on the additional amount of impairment for expected in the future additional credit losses in respect of trade and other receivables and contract assets as at 31 December 2019, calculated based on credit ratings issued by rating agencies:

Mln RUB	Rating	Gross carrying amount	Impairment loss allowance
Low risk	BBB- to AAA	25,057	(14)
Fair risk	BB- to BB+	417	(4)
Substandard risk	B- to CCC-	510	(4)
		25,984	**(22)**

The following table provides information about the exposure to the credit risk and on additional amount of impairment for expected in the future additional credit losses in respect of trade and other receivables and contract assets as at 31 December 2019, calculated based on estimated reserve matrix:

Mln RUB	Gross carrying amount	Impairment loss allowance
Current (not past due)	8,744	(34)
0-30 days past due	837	(11)
30-90 days past due	588	(11)
90-180 days past due	182	(18)
180-360 days past due	138	(24)
More than 360 days past due	1,056	(163)
	11,545	**(261)**

The Group also provides for the allowance for the doubtful advances, given primarily to subcontractors on construction contracts. As at 31 December 2019 the allowance for doubtful advances given amounted to RUB 5,623 million (2018: RUB 5,754 million). The allowance was also recorded for potential losses of the Group’s cash at accounts with the banks, whose licenses were revoked by the Central Bank of the Russian Federation.

Investments

Currently the Group does not make investments in securities traded in the stock market. Taking into account the fact that the Group previously invested in securities of public financial institution with high credit ratings, management does not expect any default from this financial institution.

Cash and cash equivalents

The Group held cash and cash equivalents in the amount of RUB 33,542 million as at 31 December 2019 (2018: RUB 28,586 million), cash at special accounts in the amount of RUB 25,137 million at 31 December 2018 (2018: RUB 9,672 million) that represents its maximum credit exposure on these assets.

Information on allocation of cash and cash equivalents and cash at special accounts by credit ratings issued by independent rating agencies to the banks, in which the Group placed its funds, is provided below:

Credit rating by Fitch (or equivalent)*	31 December 2019	31 December 2018
BBB- to AAA	29,773	18,465
BB- to BB+	21,798	19,754
CCC- to B+	7,104	39
C to CC	4	-
	58,679	**38,258**

* credit ratings by Fitch, Moody’s, Expert RA are used

All balances of cash at the bank accounts and bank term deposits are not overdue and not impaired.

Guarantees

The financial guarantees provided to third parties on behalf of related parties (see Note 27(c)(iv)) and outstanding as at 31 December 2019 amounted to RUB 268 million (2018: RUB 546 million).

(iii) 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.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

31 December 2019

Mln RUB	Carrying amount	Contractual cash flows	0-6 mth	6-12 mth	1-2 yrs	2-3 yrs	over 3 yrs
Non-derivative financial liabilities							
Unsecured bonds issued	7,914	9,158	398	398	5,518	2,844	-
Bank loans	61,604	67,818	14,537	15,180	22,599	15,502	-
Lease liabilities	4,182	5,272	1,239	926	1,231	510	1,366
Trade payables	12,969	12,972	7,257	3,348	819	619	929
Non-controlling interests	821	821	821	-	-	-	-
	87,490	**96,041**	**24,252**	**19,852**	**30,167**	**19,475**	**2,295**
Non-financial liabilities							
Guarantees provided	-	268	268	-	-	-	-

31 December 2018

Mln RUB	Carrying amount	Contractual cash flows	0-6 mth	6-12 mth	1-2 yrs	2-3 yrs	over 3 yrs
Non-derivative financial liabilities							
Unsecured bonds issued	10,446	11,479	562	5,306	559	5,052	-
Bank loans	29,776	31,330	29,575	1,755	-	-	-
Finance lease liabilities	4,123	4,641	1,489	1,111	1,420	603	18
Trade payables	15,242	16,060	12,836	642	434	932	1,216
Non-controlling interests	643	643	643	-	-	-	-
	60,230	**64,153**	**45,105**	**8,814**	**2,413**	**6,587**	**1,234**
Non-financial liabilities							
Guarantees provided	-	546	546	-	-	-	-

The guarantees provided represent the maximum amount of cash outflows which might be required to satisfy contract liabilities. Management does not believe that the likelyhood of such outflows is high.

(iv) 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.

Currency risk

The Group does not have significant exposure to foreign currency risk.

(v) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair values (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 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 period until maturity.

Exposure to interest rate risk

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

	Carrying amount	
Mln RUB	**31 December 2019**	**31 December 2018**
Fixed rate instruments		
Financial assets	427	215
Financial liabilities	(63,766)	(44,345)
	(63,339)	(44,130)
Variable rate instruments		
Financial assets	1,758	21,792
Financial liabilities	(9,934)	-
	(8,176)	21,792

Fair value sensitivity analysis for fixed rate instruments

The Group has classified some of the fixed rate financial assets as financial instruments measured at fair value through profit or loss. The fair value of these assets at the reporting date and the effect in profit or loss for the period is provided in Note 23 (a).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no material impact on equity and profit or loss of the Group.

(vi) Other market price risk

Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the management. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

Sensitivity analysis – equity price risk

The majority of the Group's equity investments are listed on MICEX stock exchanges. For such investments, classified as instruments, which are accounted for at fair value through other comprehensive income, an increase or decrease of the MICEX indices by 5% at the reporting date would not lead to the significant effect on shareholders' equity.

24. Significant subsidiaries

(a) Non-controlling interest in liabilities

Non-controlling interests reported within liabilities are represented by the equity interest of minority participants of Transstroymehanizatsiya LLC, that was equal to 16.01% as at 31 December 2019 and 31 December 2018. The minority holders are entitled to claim their share in the net assets of the Company for redemption, therefore, such liabilities of the Group are presented within the current liabilities.

Mln RUB	**Transstroymehanizatsiya**	
2019 2018		
Non-controlling interests	**16%**	**16%**
Non-current assets	7,818	25,669
Current assets	33,502	27,051
Non-current liabilities	(1,072)	(786)
Current liabilities	(35,120)	(49,219)
Net assets	**5,128**	**2,715**
Net assets attributable to non-controlling interests	**821**	**435**
Revenue	62,426	80,319
Profit/(loss) for the year	1,118	(1,136)
Total comprehensive income/(loss) for the year	**1,118**	**(1,136)**
Total comprehensive income/(loss) for the year attributable to non-controlling interests	**179**	**(182)**
Net cash from/(used in) operating activities	11,159	(4,409)
Net cash from/(used in) investing activities	509	(308)
Net cash (used in)/from financing activities	(11,564)	4,645
Net increase/(decrease) in cash and cash equivalents	**104**	**(72)**

(b) Non-controlling interest in equity

Non-controlling interests reported within equity are represented by non-controlling interests in subsidiary joint-stock companies of the Group.

25. Leases

The Group leases a number of land plots and warehouses as well as production equipment. The lease typically runs for one to three years for production equipment and for 5 to 49 years for land plots, with an option to its subsequent renewal.

Usually, lease payments under leases on warehouses and land plots are increased annually to reflect market rentals. Previously, these leases were classified as operating leases under IAS 17. The leases on production equipment were mainly classified as finance leases under IAS 17. See Note 12 (b).

(i) Right-of-use assets

Right-of-use assets that do not meet the definition of investment property are presented as property, plant and equipment (see Note 12).

Mln RUB	Land	Buildings and structures	Machinery and equipment	Vehicles	Total
Deemed cost					
Balance as at 31 December 2018	362	290	7,722	2,163	10,537
including impact of adopting IFRS 16	362	290	-	-	652
Additions	173	812	429	569	1,983
Reclassification to assets classified as property, plant and equipment	-	-	(4,158)	(394)	(4,552)
Balance as at 31 December 2019	535	1,102	3,993	2,338	7,968
Depreciation and impairment losses					
Balance as at 31 December 2018	-	-	2,510	350	2,860
Depreciation for the period	196	129	1,213	362	1,900
Reclassification to assets classified as property, plant and equipment	-	-	(2,505)	(251)	(2,756)
Balance as at 31 December 2019	196	129	1,218	461	2,004
Carrying amounts					
Balance as at 31 December 2018	362	290	5,212	1,813	7,677
Balance as at 31 December 2019	339	973	2,775	1,877	5,964

(ii) Amounts recognised in profit or loss

Mln RUB	2019
2019 – Leases under IFRS 16	
Interest on lease liabilities	522
Expenses related to short-term leases	351
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	47
Expenses related to leases of assets dependent on cadastral value	37
	957
2018 – Operating leases under IAS 17	
Lease expense	897

(iii) Amounts recognised in statement of cash flows

Mln RUB	2019
Total cash outflow for leases	(2,576)

26. 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.

The Group has to comply with the Law on Urban Planning, including for causing injury to life, health or property of third parties as a result of conducting construction works or defects in construction, renovation, overhaul of capital construction assets. The Group will also be held responsible for accidental loss of or damage to property being constructed. In order to reduce the risk of losses and obligations to third parties as a consequence of conducting construction works, the Group has obtained full insurance coverage against civil liabilities arising under the construction contracts in accordance with the terms of these contracts.

(b) Litigation

In 2019-2020 the Group is engaged as a defendant in the litigation with one of its customers regarding the revision of the cost of the work performed and partially paid for in previous reporting periods. The legal position of the Group is based on the fact that the customer had formally accepted most of the work performed, whereas the right to revise the contract price unilaterally is not provided for by legal and judicial practice. The management of the Group believes that it is highly probable that the litigation will be resolved in favour of the Group, but a negative outcome can lead to a cash outflow in the amount of approximately RUB 2,000 million, as well as to derecognition of the asset under the agreement in the amount of RUB 1,700 million.

(c) Warranties

The Group has certain warranty obligations under construction contracts terms which range from one to twenty years. The Group performed analysis of historical data on actual compensations paid and defects rectified under these warranties for the past seven years. Based on this analysis, the Group concluded that the probability of the constructions works carried out during the reporting period will not satisfy the quality conditions specified in the contract and require repair, is low. Therefore the Group did not recognise a warranty liability on construction contracts as at the reporting date.

The retentions held by customers under the construction contracts are usually returned in full amounts.

(d) Taxation contingencies

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

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

Provisions of the Tax Code of Russian Federation do not stipulate the exhaustive list of required documents and procedures, that a taxpayer is obliged to conduct in order to justify reasonableness of the tax base and the amount of taxes payable, including evidence of counterparties' due diligence. The Group undertakes counterparties' due diligence based on the understanding of tax legislation requirements. Tax and judicial authorities may interpret such provisions differently that may lead to risks, which may cause additional tax charges and duties, as well as fines and penalties. In case the tax authorities prove its position, the amount of additional tax charges may influence the consolidated financial statements. Tax authorities may challenge the amount of deductible expenses, as well as related VAT, and also impose fines and penalties. Management believes that in case taxes were challenged in the courts, the amount of charges imposed by tax authorities could be significantly reduced. However, the final amount of tax claims by tax authorities cannot be reliably estimated as at the date of approval of these financial statements. Therefore, the potential impact of these circumstances on the consolidated financial statements is not determined.

New transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

The Group conducts operations classified as controlled transactions and does not exclude the possibility of disputes with tax authorities in respect of pricing formation on these transactions.

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

In addition, a number of new laws have recently been adopted that introduce amendments to the tax legislation of the Russian Federation. In particular, changes were introduced to regulate the tax consequences of transactions with foreign companies and their activities, such as the concept of beneficial ownership of income, taxation of controlled foreign companies, rules for determining tax residency, etc. Potentially, these changes may have a significant impact on the Group's tax position and create additional tax risks in the future. This legislation and practice of its application continues to develop, and the impact of legislative changes should be considered based on the factual circumstances.

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 relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Provisions of the Tax Code of Russian Federation do not stipulate exhaustive list of required documents and procedures, that taxpayer is obliged to conduct in order to justify reasonableness of the tax base and the amount of taxes payable, including evidence of counterparties' due diligence. The Group undertakes counterparties' due diligence based on understanding of tax legislation requirements. Tax and judicial authorities may interpret such provisions differently that may lead to risks, which may cause charge of additional taxes and duties, as well as fines and penalties up to RUB 1,500 million. In case the tax authorities prove its position, the amount of additional tax charges may significantly influence the consolidated financial statements. Tax authorities may challenge the amount of deductible expenses, as well as related VAT, and consequently impose fines and penalties. Management believes that in case taxes are challenged in the courts, the amount of charges imposed by tax authorities will be significantly reduced. However, the final amount of tax claims for the filing by tax authorities cannot be reliably estimated as at the date of approval of these financial statements. Therefore, the potential impact of these circumstances on the consolidated financial statements is not determined.

27. Related party transactions

(a) Control relationships

As at 31 December 2019 the ownership structure of PJSC MOSTOTREST was as follows:

94.2% - JSC TFK-Finance;

5.8% - free-float.

In April 2018 Mr. A.R. Rotenberg acquired control over JSC TFK-Finance and became the Group's ultimate controlling party.

(b) Transactions with key management personnel

(i) Management remuneration

During 2019 key management received remuneration in the amount of RUB 2,205 million (2018: RUB 2,312 million).

During the reporting period there were no other material transactions conducted with key management personnel and their close family members.

(c) Transactions with other related parties

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

(i) Sales

Mln RUB	Transaction value		Outstanding balance as at	
	2019	2018	31 December 2019	31 December 2018
Sale of goods to:				
Equity-accounted investees	49	150	45	1
Other related parties	1	130	12	347
Services rendered to:				
Equity-accounted investees	2,914	4,887	567	749
Companies related to the Group's shareholders	8,807	27,478	3,548	(7,461)
Other related parties	67	309	47	83
	11,838	**32,954**	**4,219**	**(6,281)**

(ii) Purchases

Mln RUB	Transaction value		Outstanding balance as at	
	2019	2018	31 December 2019	31 December 2018
Purchase of goods from:				
Companies related to the Group's shareholders	9	4,099	(1)	(925)
Other related parties	152	414	-	-
Services received from:				
Equity-accounted investees	1,868	449	(563)	(174)
Companies related to the Group's shareholders	402	287	(163)	(549)
Other related parties	271	1,463	150	(95)
	2,702	**6,712**	**(577)**	**(1,743)**

Purchases of goods and services from related parties mainly consist of purchases from companies related to non-controlling participants of the subsidiaries.

(iii) Loans

Mln RUB	Transaction value				Outstanding balance as at	
	Placement		Repayment			
	2019	2018	2019	2018	31 December 2019	31 December 2018
Loans given to:						
Equity-accounted investees	73	81	-	(2,181)	5,212	4,051
	73	**81**	**-**	**(2,181)**	**5,212**	**4,051**

Interest income on loans given to related parties for the reporting period calculated at a nominal rate amounted to RUB 755 million (2018: RUB 636 million). This loan is recognised at fair value through profit or loss in the financial statements (see Note 23 (a)). Interest received on loans given to related parties for the reporting period amounted to RUB 0 million (2018: RUB 81 million).

Mln RUB	Transaction value				Outstanding balance as at	
	Placement		Repayment			
	2019	2018	2019	2018	31 December 2019	31 December 2018
Loans received from:						
Equity-accounted investees	-	3,183	-	(3,226)	-	-
Companies related to the Group's shareholders	820	3,789	(2,661)	(205)	1,735	3,595
	820	**6,972**	**(2,661)**	**(3,431)**	**1,735**	**3,595**

During the second half of 2019 one of the entities controlled by the shareholders of the Group provided interest-free loan in the amount of RUB 820 million to the Group (2018: RUB 3 595 million). The effect of discounting of this loan in the amount of RUB 81 million (RUB 179 million) was recorded net of related income tax as a net distributions to/(contributions from) shareholders in equity.

Interest expense on loans received from related parties for the reporting period amounted to RUB 190 million (2018: RUB 112 million). Interest paid on loans received from related parties for the reporting period amounted to RUB 0 million (2018: RUB 11 million).

(iv) Other transactions

In 2019 the Group provided interest-free loan to its parent company in the amount of RUB 7 200 million.

In 2017 the Group provided interest-free loan to its parent company in the amount of RUB 545 million. In 2018 the loan was repaid to the Group.

Payments and receipts from shareholders were reported within other distributions to and contributions from in the shareholder's equity on a net basis.

In 2019 the Group received dividends from the company, the investment in which is accounted for using the equity method, in the amount of RUB 54 million (Note 13(c)).

Financial guarantees provided by the Group to third parties as a security of related party liabilities amounted to RUB 268 million as at 31 December 2019 (2018: RUB 546 million).

28. Events subsequent to the reporting date

On 12 March 2020, the Board of Directors of PJSC Mostotrest approved the date and agenda for the Company's extraordinary general meeting of the shareholders to be held on 18 May 2020. At this meeting, in particular, the shareholders of the Company will be requested to vote on the suggested transaction to spin off JSC Roads and Bridges, a new company, as part of the restructuring.

The restructuring has been planned with the view of the expected transaction to form a new infrastructure holding JSC NatsProjectStroy as joint venture with VEB.RF.

The first quarter of 2020 has seen significant global market turmoil triggered by the outbreak of the coronavirus and a sharp decrease in the oil price, which have in turn affected the stock market indices, the drop of quotations of the most shares and financial instruments, as well as depreciation of the Russian Rouble against other currencies. These developments are further increasing the level of uncertainty underlying assumptions and estimates used in the financial statements, as well as a risk level of operating in the Russian Federation. The Group's management continuously analyses the impact of these circumstances on the financial position of the Group. The industry, in which the Group operates, has not been significantly affected by current restrictions in the form of forced suspension of operations or outflow of consumers due to the self-isolation regime. The Group continues to work with federal and regional customers providing maintenance of infrastructure facilities services in different regions of Russia. The construction works on the projects located in the Russian regions have been continuing in accordance with the previously approved production programs, but the execution of a number of contracts in Moscow has been suspended. Since the main customers of the Group are state-owned enterprises and government agencies of the Russian Federation, it is expected that financing of the construction of large infrastructure projects will continue in the foreseeable future, and, in this regard, the Group's management believes that the current situation will not significantly affect the ability of the Group to operate during at least 12 months after the reporting date.

In January 2020 the Group acquired a 16.01% equity interest in Transstroymehanizatsiya LLC from non-controlling participants for RUB 600 million payable in cash.

29. Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments are accounted for at fair value through profit or loss and at fair value through other comprehensive income.

30. Changes in accounting policies and reclassifications

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 32 to all periods presented in these consolidated financial statements.

(a) IFRS 16 "Leases"

The Group has initially adopted IFRS 16 Leases from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease.* The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. Group as a lessee

The Group leases land plots, warehouses and production premises, construction machinery and production equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

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

The Group recognises right-of-use assets that do not meet the definition of investment property in "property, plant and equipment", on the same line item as it recognises owned assets similar in nature to underlying assets. The carrying amounts of right-of-use assets are as follow.

	Property, plant and equipment		
Mln RUB	**Land**	**Buildings and structures**	**Total**
Balance at 1 January 2019	362	290	652
Balance at 31 December 2019	339	973	1,312

The Group presents lease liabilities in "loans and borrowings" in the statement of financial position.

(i) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

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

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

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

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee, based on the period for which the contract is enforceable. The Group considers that enforceability of the lease is established by the written contract (including penalty clauses) in combination with applicable legislation related to renewal or termination rights (specifically the lessee's preferential rights to renew the lease).

In lease contracts with short contractually stated term (usually 11 months) and with a renewal option, the Group evaluates these leases as perpetual. The Group further determines the duration of legal protection of the lease, given the termination penalties, including so-called "economic" fines. The lease term is estimated on the basis of a reasonable assurance of the extension of the contract.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(ii) Transition

Previously, the Group classified agreements for property and production equipment leases as operating leases under IAS 17. The land plots, warehouses and production premises, construction machinery and production equipment are leased under such agreements. The leases typically run for a period of one to two years for production equipment and 5 to 49 years for land plots with an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The Group applied to all its leases the approach under which a right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedient. When applying IFRS 16 to leases previously classified as operating leases under IAS 17 the Group applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

The Group leases a number of construction machinery and production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. Group as a lessor

The Group leases out its investment property, including right-of-use assets. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

D. Impacts on financial statements

(i) Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, including investment property and additional lease liabilities. The impact on transition is summarised below.

Mln RUB	**1 January 2019**
Right-of-use assets presented in property, plant and equipment	652
Lease liabilities	(652)

When measuring liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 9%.

Mln RUB	**1 January 2019**
Future operating lease payments at 31 December 2018 as disclosed in the Group's consolidated financial statements	2,662
Effect of discounting using the incremental borrowing rate	(636)
Discounted using the incremental borrowing rate at 1 January 2019	2,026
Finance lease liabilities recognised as at 31 December 2018	4,123
– Recognition exemption for leases of low-value assets	(23)
– Recognition exemption for leases with less than 12 months of lease term at transition	(135)
– Extension options reasonably certain to be exercised	74
– Recognition exemption for municipal (or federal) land lease agreements	(1,290)
Lease liabilities recognised at 1 January 2019	4,775

(ii) Impacts for the period

As a result of transition to IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RUB 1,312 million of right-of-use assets and RUB 1,434 million of lease liabilities as at 31 December 2019.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognised RUB 325 million of depreciation charges and RUB 96 million of interest expenses from these leases.

For the impact of IFRS 16 on segment information, see Note 5.

31. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

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 (see Note 31(a)(iii)).

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date.

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

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Acquisitions from entities under common control

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

(v) Loss of control

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

(vi) Interests in equity-accounted investees

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

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

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

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

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

(vii) Transactions eliminated on consolidation

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

(b) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(c) Revenue

The Group has three key types of contracts with customers:

a) Construction contracts;

b) Contracts on provision of maintenance and repair of roads services and

c) Contracts on sale of finished goods and materials.

(i) Revenue from construction contracts

The Group has determined that for construction contracts the customer controls all assets created during the construction phase that is carried out at the customer's construction site. In addition, the construction is conducted in accordance with the customer's project documentation and therefore the assets being created do not have an alternative use. If a customer prematurely terminates a contract, then the Group is entitled to a reimbursement of costs incurred to date, including a reasonable profit margin. Therefore revenue from these contracts and the associated costs are recognised over time – i.e. before the transfer of the completed construction asset to the customer.

Construction contracts usually require an annual advance payment from its customers of up to 30% of the anticipated annual work amount. Most contracts provide for monthly payments for the works performed.

Revenue and costs are recognised in profit or loss and other comprehensive income over time using an input method for estimation of the stage of completion of the performance obligation under the contract.

The Group applies the practical expedient and does not adjust the contract price to account for time value of money of advances received from customers since as at the time of receipt of these advances it is expected that they will be settled by works performed during the period of not more than one year. The contract price includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss and other comprehensive income in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the share of the costs incurred to date in the total estimated contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss and other comprehensive income.

(ii) Revenue from contracts on provision of maintenance and repair of roads services

Revenue is recognised over time as the services are provided. Invoices for maintenance and repair of roads services are issued on a monthly basis and are usually payable within 30 days.

(iii) Revenue from contracts on sale of finished goods and materials

The Group sells several types of construction products of its own production and construction materials to outside customers. Customers obtain control of these products when the goods are dispatched from the Group's warehouse. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 30 days. No discounts, loyalty points or returns are offered for these products.

(d) Finance income and costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- net change in fair value of loans provided;
- dividend income;
- net gain or loss on disposal of financial assets at FVOCI;
- net gain or loss on revaluation of financial assets and liabilities in foreign currency;
- impairment loss recognised on financial assets (other than receivables); and
- non-controlling interest classified as a debt instrument.

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

(e) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are 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 the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of equity investments at fair value through other comprehensive income which are recognised in other comprehensive income.

(ii) Foreign operations

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

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

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

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

(f) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. 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.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Remeasurements are recognised in profit or loss in the period in which they arise.

(g) Income tax

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

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss 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. Current tax payable also includes any tax liability arising from dividends.

(ii) Deferred tax

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

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

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

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted-average method, 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 production 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.

(i) Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution.

Such assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2008, the Group's date of transition to IFRSs, was determined by reference to its fair value at that date.

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

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

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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

(iii) Depreciation

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

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

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

- buildings and structures 17 years;
- machinery and equipment 7 years;
- vehicles 7 years;
- other PPE 3 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Intangible assets

(i) Goodwill

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

(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 profit or loss as incurred.

(iv) Amortisation

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

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

- construction contracts 1.5 years;
- software 3-5 years.

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

(l) 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 subsequent measurement

Financial assets

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.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 provisions of the accounting policy are applied 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 OCI. On derecognition, gains and losses accumulated in OCI 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 OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

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

Non-controlling interest

In accordance with the Law on Limited Liability Companies No. 14-FZ dated 8 February 1998, each participant in a Russian limited liability company is entitled to withdraw from the company and receive the book value of its participatory share in the company, if the company's charter does not provide for the opposite. Such rights are recognised as a puttable debt instrument and, therefore, profit or loss attributable to minority participants is recognised as finance costs.

(iii) Modification of financial assets and financial liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBR key rate, if the loan contract entitles banks to do so and the Group has an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

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

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

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

(iv) Derecognition

Financial assets

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

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.

Financial liabilities

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

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

(v) Offsetting

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

(vi) Impairment

Financial instruments and contract assets

The Group recognises allowances for ECLs on:

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 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 estimate the expected credit losses for trade receivables and contract assets without significant financing components in the amount equal to lifetime expected credit losses. For trade receivables and contract assets which contain significant financing components, the Group applies an estimate of expected credit losses for 12 months after the reporting date.

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 180 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 BBB- or higher per Rating Agency Fitch.

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

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

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

Measurement of ECLs

ECLs are 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).

Expected credit losses in respect of financial assets are calculated based on actual data on credit risks according to rating agencies where there is a rating assigned to the counterparty. When choosing a credit rating priority is given to ratings of international rating agencies.

For all other individually immaterial customers and customers that do not have a credit rating, the Group uses an allowance matrix to measure the ECLs of trade receivables and amounts due from customers on construction contracts.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Regarding the determination of impairment losses for financial assets for which the default event did not occur, but there are reasonable facts indicating that these assets are non-refundable, management estimates the amount of the loss based on all the facts and circumstances known for each specific project, also given the legal aspects of the execution of projects within one or another legal framework.

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

Credit-impaired financial assets

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

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

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Allowances for losses on 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 charged to profit or loss and is recognised in OCI.

Write-off

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

(vii) Share capital

Ordinary shares

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

Repurchase, disposal and reissue of share capital (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in additional paid-in capital.

(m) Impairment of non-financial assets

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

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 CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

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

(n) 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 and a weighting of all possible outcomes against their associated probabilities.

(ii) Onerous contracts

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

(o) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources.

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

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

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

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

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(p) Earnings per share

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

(q) 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. All operating segments' operating results are reviewed regularly by the Group's CEO, who is the Group's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

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

32. New standards and interpretations

Two new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*
- *IFRS 17 Insurance Contracts.*