Joint-Stock Company
SOYUZDORSTROY

Consolidated Financial Statements
for 2018
and Independent Auditors' Report

Contents

'000 000 RUB	Note	2018	2017
Revenue	4	51 249	40 088
Cost of sales	5	(39 101)	(35 132)
Gross profit		12 148	4 956
Other income	7	1 066	1 687
Administrative expenses	6	(3 648)	(2 388)
Taxes other than income tax		-	(21)
Other expenses	7	(1 462)	(817)
Results from operating activities		8 104	3 417
Finance income	8	1 085	772
Finance costs	8	(4 406)	(2 155)
Profit before income tax		4 783	2 034
Income tax expense	10	(1 178)	(414)
Profit for the year		3 605	1 620
Profit attributable to owners of the Company		3 689	1 369
(Loss)/profit attributable to non-controlling interests		(84)	251
Profit for the year		3 605	1 620
Other comprehensive income			
Reclassification of changes in the value of the investment available-for-sale to profit or loss		-	(134)
Items that will never be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans (net of income tax)		35	(17)
Other comprehensive income		35	(151)
Total comprehensive income for the year		3 640	1 469
Total comprehensive income attributable to owners of the Company		3 719	1 207
Total comprehensive loss attributable to non-controlling interests		(79)	262
Total comprehensive income for the year		3 640	1 469

These consolidated financial statements were approved by management on 28 May, 2019 and were signed on its behalf by:

General Director

Andreev A.V.

(signed)

СОЮЗДОРСТРОЙ

Director of Economics and Finance JSC DSK «AVTOBAN»

Vasyutina Y.M.

(signed)

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 9-50.

'000 000 RUB	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	4 422	4 855
Investment property		517	282
Intangible assets		228	253
Other investments and loans issued	12	3 675	834
Trade and other receivables	14	7 821	1 449
Deferred tax assets	10 (c)	2 402	2 080
Total non-current assets		19 065	9 753
Current assets			
Inventories	13	5 132	3 536
Receivables under construction contracts	14	21 287	10 121
Prepayments	14	4 869	2 788
Other receivables	14	9 689	3 091
Other investments and loans issued	12	599	1 182
Cash in special bank accounts	15	17 432	3 397
Cash and cash equivalents	15	354	767
Total current assets		62 362	24 882
Total assets		81 427	34 635
EQUITY AND LIABILITIES			
Equity	16		
Share capital		-	-
Retained earnings		11 663	7 152
Total equity attributable to owners of the Company		11 663	7 152
Non-controlling interests		911	930
Total equity		12 574	8 082
Non-current liabilities			
Loans and borrowings	17	19 447	9 310
inc. loans received under Public-private partnership agreements	17	18 491	2 782
Trade and other payables		289	115
Provisions		615	665
Deferred tax liabilities	10 (c)	2 037	1 424
Total non-current liabilities		22 388	11 514
Current liabilities			
Loans and borrowings	17	15 842	3 992
inc. loans received under Public-private partnership agreements	17	401	-
Payable under construction contracts	18	11 995	707
Trade and other payables	18	17 295	10 313
Provisions		1 333	27
Total current liabilities		46 465	15 039
Total liabilities		68 853	26 553
Total equity and liabilities		81 427	34 635

(*) The Group initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the selected approach, comparative information is not restated (Note 2 (d)).

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9-50.

'000 000 RUB	Attributable to equity holders of the Company: Retained earnings	Attributable to equity holders of the Company: Total	Non-controlling interests	Total equity
Balance at 31 December 2017	7 152	7 152	930	8 082
Adjustment on initial application of IFRS 15, net of tax	1 295	1 295	141	1 436
Balance at 1 January 2018	8 447	8 447	1 071	9 518
Total comprehensive income				
Profit for the year	3 689	3 689	(84)	3 605
Other comprehensive income				
Actuarial gains/(losses) on defined benefit plans (net of income tax)	30	30	5	35
Total other comprehensive income	30	30	5	35
Total comprehensive income for the year	3 719	3 719	(79)	3 640
Transactions with owners of the Company				
Dividends	(220)	(220)	(72)	(292)
Disposal of subsidiaries shares	9	9	(9)	-
Other transactions with owners of the Company	(292)	(292)	-	(292)
Total transactions with owners of the Company	(503)	(503)	(81)	(584)
Balance at 31 December 2018	11 663	11 663	911	12 574

(*) The Group initially applied IFRS 9 and IFRS 15 on 1 January 2018. Under the selected approach, comparative information is not restated (Note 2 (d)).

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 9-50.

'000 000 RUB	Share capital	Retained earnings	Changes in the value of the investment available-for-sale to profit or loss (net of income tax)	Total	Non-controlling interests	Total equity
	Attributable to equity holders of the Company					
Balance at 1 January 2017	-	6 137	134	6 271	678	6 949
Total comprehensive income						
Profit for the year	-	1 369	-	1 369	251	1 620
Other comprehensive loss						
Reclassification of changes in the value of the investment available-for-sale to profit or loss	-	-	(134)	(134)	-	(134)
Actuarial loss on defined benefit plans	-	(28)	-	(28)	11	(17)
Total other comprehensive loss	-	(28)	(134)	(162)	11	(151)
Total comprehensive income for the year		1 341	(134)	1 207	262	1 469
Dividends	-	(326)	-	(326)	(10)	(336)
Balance at 31 December 2017	-	7 152	-	7 152	930	8 082

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 9-50.

'000 000 RUB	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	3 605	1 620
Adjustments for:		
Depreciation and amortisation	1 157	1 024
Gain on disposal of property, plant and equipment	(124)	(12)
Gain on disposal of inventory	(212)	-
Finance income	(1 085)	(772)
Finance costs	4 406	2 155
Losses from derecognition of receivables and changes in allowance for doubtful receivables	695	(459)
Loss on disposal of subsidiaries shares	-	35
Gain on sale of securities	-	(571)
Income tax expense	1 179	414
Cash flows from operating activities without taking into account changes in working capital and provisions	9 621	3 434
Changes in inventories	(1 205)	8
Changes in trade and other receivables	(31 832)	(5 156)
Changes in trade and other payables and provisions	19 388	(11 187)
Changes in cash in special bank accounts	(14 035)	9 264
Cash flows used in operations before income taxes and interest paid	(18 063)	(3 638)
Interest received	367	576
Income tax paid	(881)	(331)
Interest paid	(2 841)	(2 342)
Net cash used in operating activities	(21 418)	(5 404)

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 9-50.

'000 000 RUB		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1 435)	(1 135)
Acquisition of investment property	(235)	-
Proceeds from sale of property, plant and equipment	634	33
Acquisition of intangible assets	-	(7)
Disposal of subsidiaries shares	-	26
Sale of the investment available-for-sale	-	1 220
Sale of inventory	212	-
Loans issued	(3 154)	(1 188)
Repayment of loans issued	1 344	222
Net cash used in investing activities	**(2 634)**	**(828)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	46 866	26 161
Repayment of borrowings	(21 773)	(19 962)
Payment of bank commissions	(814)	-
Payment of a one-off commission for opening credit lines	(350)	(310)
Dividends paid to owners of the Company	(220)	(326)
Dividends paid to non-controlling interests	(72)	(10)
Net cash from financing activities	23 637	5 552
Net decrease in cash and cash equivalents	(415)	(680)
Cash and cash equivalents at 1 January without taking into account cash in special bank accounts	767	1 447
Cash and cash equivalents at 31 December without taking into account cash in special bank accounts	**352**	**767**

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 9-50.

1 Reporting entity

(a) Organisation and operations

Joint-Stock Company SOYUZDORSTROY (the "Company") and its subsidiaries (the "AVTOBAN Group" or the "Group") comprise Russian joint-stock companies and limited liability companies, formed in accordance with the legislation of the Russian Federation. The Company was a limited liability company until 20 December 2018 and was transformed into a joint-stock company by the decision of the sole owner.

The Company's registered office is 103049 Moscow, Vernadsky Prospekt 92, building 1, room 2.

The Group's principal activity is construction of roads and public infrastructure. The Group is involved in several concession agreements and long-term investment agreements for the construction and operation of roads.

The Group operates in the Russian Federation as one of the leading road construction companies.

The Group is ultimately controlled by a single individual, Andreev A.V.

Significant subsidiaries are disclosed in the note 25.

(b) Business environment

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

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

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

2 Basis of accounting

(a) Statement of compliance

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

(b) 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, except when otherwise indicated.

(c) Use of estimates and judgements

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

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

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

- Note 20 – Assessment of construction contracts stage of completion;
- Note 4 – Recognition of revenue under concession agreements.

(d) Revenue recognition from concession agreements

The Group has initially applied IFRS 15 *Revenue from Contracts with Customers* effective 1 January 2018. A number of other new standards are also effective from 1 January 2018, including IFRS 9 *Financial Instruments*, but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributed to adjustment of the transaction price of construction contracts for a significant financing component received in the form of capital grants and investment payments from customers.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

According to IFRS 15, the payment terms agreed by the parties to the construction contracts represent a significant financial benefit (in the form of capital grants received and investment payments from customers), since there is a significant time interval between payment and transfer of construction objects to the customer. The deferral of payments from customers for the actual transfer of construction assets as they become available for a later period represents a finance expense with a significant financial component. Significant financial benefits and significant finance costs received by the Group are recognized as a revenue adjustment.

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings and non-controlling interest at 1 January 2018.

'000 000 RUB	Impact of adopting IFRS 15 as at 1 January 2018
Retained earnings as at 31 December 2017	7 152
Cumulative impact of earlier revenue recognition, (net of income tax)	1 295
Retained earnings as at 1 January 2018	8 447
Non-controlling interests as at 31 December 2017	930
Effect of adjustment on non-controlling interests	141
Non-controlling interests as at 1 January 2018	1 071

The following tables summarise the impacts of adopting IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its statement of profit or loss and other comprehensive income for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 31 December 2018.

Impact on the consolidated statement of financial position:

31 December 2018 **'000 000 RUB**	**As reported**	**Adjustments**	**Amounts without adoption of IFRS 15**
Trade and other receivables	46 666	7 185	39 481
Trade and other payables	29 579	590	28 989
Deferred tax liabilities	1 991	(1 555)	3 546
Total equity attributable to owners of the Company	11 463	(4 540)	16 003
Non-controlling interests	912	(1 680)	2 592

Impact on the consolidated statement of profit or loss and other comprehensive income:

For the year ended 31 December 2018 '000 000 RUB	As reported	Adjustments	Amounts without adoption of IFRS 15
Revenue	51 249	5 747	45 502
Cost of sales	(38 581)	226	(38 807)
Finance income	1 454	512	942
Income tax expense	(1 128)	(1 207)	79
Total comprehensive income for the year	**1 469**	**4 826**	**(3 357)**

3 Acquisitions and disposals of investments, subsidiaries and shares in them

(a) Acquisitions and disposals of investments, subsidiaries and shares in them

In November 2017 the Group sold the available-for-sale investment for RUB 1 320 million. The effect of disposal of investments in the amount of RUB 571 million, including the effect of reclassification of the change in the investments value recognized in other comprehensive income, was recognized in profit or loss.

During 2017 the Group sold to a third-party company 51% of LLC Rascheтniy centr avtodorozhnogo stroitelstva for RUB 1 million. The loss on disposal of this subsidiary, included in net profit, amounted to RUB 1 million.

In 2017, the subsidiary company LLC Raduga Tamani was liquidated.

In 2017, the Group sold 25% of LLC ASK for RUB 25 million. The loss on disposal of this share, included in the net profit, amounted to RUB 24 million. The Group retained control over the entity.

4 Revenue

000 000 RUB	2018	2017
Revenue from road construction, recognized over the period	50,766	39,479
Including the following contracts:		
Central Ring Road-3	*32,737*	*14,090*
Central Ring Road-4	*4,240*	*-*
Road construction Irayel – Kadzherom	*2,107*	*1,165*
Road construction Kommunistichesky – Uyngan	*1,863*	*688*
Road reconstruction IP 351	*1,671*	*311*
Other revenue	483	609
	51,249	40,088

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in Note 2(d). Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

As at 31 December 2018 the Group pledged a chose in action against proceeds under construction contracts in the total amount of RUB 5 128 million. (2017: RUB 12 169 million) as collateral for guarantees issued by banks on behalf of the Group and bank loans.

As at 31 December 2018 revenue from civil engineering was not pledged as collateral for bank loans (as at 31 December 2017 revenue from civil engineering in the amount of RUB 187 million was pledged as collateral for bank loans).

Under concession agreements, the parties agree on a timing difference between the transfer of services and the related customer payments. For such contracts, the Group calculates the transaction price as a discounted cash flow taking into account the timing of revenue recognized over time on a percentage of completion basis. The discount rate is the amount of the customers' credit risk on the date of contract. Under the concession agreements, customers are state-owned companies and agencies, therefore, when determining the discounted cash flows for major contracts, the rate is normally determined by reference to the federal loan bond rate as of the respective dates, adjusted for a risk premium of a specific region of the Russian Federation, where applicable, and varied from 8% to 10% depending on the maturity.

The revenue recognized in the reporting period, which was included in the balance of the contract liability with customers at the beginning of the period, is RUB 707 million.

In 2018, the Group did not recognize significant changes in the transaction price for contracts outstanding on 1 January 2018, therefore, revenue recognized in the reporting period which relates to the performance obligations satisfied or partially satisfied in previous periods (for example, changes in the transaction price), is not significant and, therefore, has not been disclosed.

5 Cost of sales

'000 000 RUB	2018	2017
Materials	15 038	11 343
Services of contractors	11 181	14 376
Salaries and related payroll taxes	3 881	3 559
Transportation expenses	2 062	1 923
Lease expenses	1 824	1 179
Depreciation and amortization	1 046	984
Insurance expenses	687	356
Other	3 382	1 412
	39 101	35 132

6 Administrative expenses

'000 000 RUB	2018	2017
Salaries and related payroll taxes	2 333	1 572
Audit and consulting services	605	324
Utilities and maintenance	167	71
Depreciation and amortization	86	40
Other administrative expenses	457	381
	3 648	2 388

7 Other income and expenses

Other income

'000 000 RUB	2018	2017
Gain on sale of materials	212	267
Gain on disposals of investments and subsidiaries	-	536
Gain on sale of property, plant and equipment	124	12
Operating lease income	18	30
Change in allowance for doubtful receivables and loans receivable	12	459
Other income	700	383
	1 066	1 687

Other expenses

'000 000 RUB	2018	2017
Derecognition of receivables and net losses from change in allowances for doubtful accounts	(695)	-
Claims, fines and penalties	(113)	-
Charities	(67)	(1)
Other expenses	(587)	(816)
	(1 462)	(817)

8 Finance income and costs

Finance income

'000 000 RUB	2018	2017
Interest income	366	719
Unwinding of discounts, net	612	-
Gain on sale of securities	80	-
Other	27	53
	1 085	772

Finance costs

'000 000 RUB	2018	2017
Interest expense	(3 835)	(1 842)
Unwinding of discounts, net	-	(77)
Other	(571)	(236)
	(4 406)	(2 155)

9 Employee benefit expenses

'000 000 RUB	2018	2017
Salaries	4 935	3 907
Social security and State pension fund contributions	1 284	1 096
Losses/(gains) related to defined benefit plans	(5)	128
	6 214	5 131

The Group's average number of employees for the years ended 31 December 2018 and 2017 was 5 991 and 5 576, respectively.

10 Income taxes

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

(a) Amounts recognised in profit or loss

'000 000 RUB	2018	2017
Current tax expense		
Current year	886	832
Prior year adjustments	3	-
	889	832
Deferred tax expense		
Origination and reversal of temporary differences	289	(418)
Income tax expense	1 178	414

(b) Reconciliation of effective tax rate

	2018		2017	
	'000 000 RUB	%	'000 000 RUB	%
Profit before tax	4 783	100	2 034	100
Tax using the Company's domestic tax rate	(957)	(20)	(407)	(20)
Non-deductible expenses	(278)	(6)	(121)	(6)
Tax exempt income	36	1	114	6
Overprovided in prior years	21	-	-	-
Income tax expense	(1 178)	(25)	(414)	(20)

(c) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
'000 000 RUB	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Property, plant and equipment	6	64	(544)	(632)	(538)	(568)
Intangible assets	-	-	-	-	-	-
Investments	54	126	(387)	-	(333)	126
Inventories	-	-	-	-	-	-
Trade and other receivables	2 950	2 399	(2 855)	(2 015)	95	384
Loans and borrowings	252	94	(432)	(13)	(180)	81
Provisions	312	190	(2)	-	310	190
Trade and other payables	9	-	-	(59)	9	(59)
Tax loss carry-forwards	1 271	473	-	-	1 271	473
Other financial statements articles	144	29	(412)	-	(268)	29
Tax assets/(liabilities)	4 998	3 375	(4 633)	(2 719)	366	656
Set off of tax	(2 596)	(1 295)	2 596	1 295	-	-
Net tax assets/(liabilities)	2 402	2 080	(2 037)	(1 424)	366	656

(d) Movement in deferred tax balances

'000 000 RUB	**31 December 2017**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 December 2018**
Property, plant and equipment	(568)	30	-	(538)
Intangible assets	-	-	-	-
Investments	126	(459)	-	(333)
Inventories	-	-	-	-
Trade and other receivables	384	(289)	-	95
Loans and borrowings	81	(261)	-	(180)
Provisions	190	129	(9)	310
Trade and other payables	(59)	68	-	9
Tax loss carry-forwards	473	798	-	1 271
Other financial statements articles	29	(305)	-	(268)
	656	(289)	(9)	366

Unrecognised deferred tax liabilities

As at 31 December, 2018 and 2017 the deferred tax liability for temporary differences related to investments in subsidiaries was RUB 14 337 million and RUB 8 532 million, respectively. The liability was not recognised since the Group can control the timing of reversal of these differences, and management is satisfied that they would not be realised in the foreseeable future.

11 Property, plant and equipment

'000 000 RUB	Land	Buildings and constructions	Machinery and equipment	Vehicles	Under construction	Other PPE	Total
Initial cost							
Balance at 1 January 2017	148	2 115	4 180	1 102	128	251	7 924
Additions	-	224	280	878	97	28	1 506
Put into operation	-	90	1	-	(91)	-	-
Disposals	-	(13)	(73)	(57)	(3)	(13)	(159)
Balance at 31 December 2017	148	2 416	4 388	1 923	131	266	9 272
Additions	24	-	803	2	741	2	1 682
Put into operation	-	223	98	26	(384)	17	-
Transfer to other assets	94	(290)	-	(5)	(219)	(3)	(402)
Disposal of subsidiaries	-	-	-	-		-	-
Disposals	-	(244)	(94)	(394)	(122)	(7)	(861)
Balance at 31 December 2018	266	2 125	5 225	1 552	148	294	9 611
Depreciation							
Balance at 1 January 2017	-	(420)	(2 183)	(787)	-	(153)	(3 543)
Depreciation for the year	-	(128)	(604)	(238)	-	(41)	(1 011)
Disposal of subsidiaries	-	-	-	-	-	-	-
Disposals	-	5	66	55	-	11	137
Balance at 31 December 2017	-	(543)	(2 721)	(970)	-	(183)	(4 417)
Depreciation for the year	-	(143)	(647)	(424)	-	(17)	(1 132)
Transfer to other assets	-	6	-	4	-	-	10
Disposal of subsidiaries	-	-	-	-	-	-	-
Disposals	-	72	76	197	-	5	351
Balance at 31 December 2018	-	(608)	(3 293)	(1 095)	-	(195)	(5 188)
Carrying amounts							
At 1 January 2017	148	1 695	1 997	315	128	98	4 381
At 31 December 2017	148	1 873	1 666	953	131	84	4 855
At 31 December 2018	266	1 517	1 933	459	148	99	4 422

In 2018 the depreciation charge of RUB 1 046 million (2017: RUB 971 million) was recognized in cost of sales and RUB 86 million (2017: RUB 40 million) in administrative expenses.

As at 31 December 2018 the Group recognized assets under finance lease with a carrying amount of RUB 1 692 million as property, plant and equipment (31 December 2017: RUB 1 519 million).

12 Other investments and loans issued

'000 000 RUB	31 December 2018	31 December 2017
Non-current		
Debt financial assets – at FVTPL	3	3
Interest-bearing bank promissory notes – at amortised cost	2 992	831
Other non-current financial assets at amortised cost	680	-
	3 675	834
Current		
Interest-bearing bank promissory notes – at amortised cost	100	-
Other current financial assets at amortised cost	499	1 182
	599	1 182

(a) Security

As at 31 December 2018 interest-bearing promissory notes measured at amortised cost with a carrying amount of RUB 3 062 million (2017: RUB 308 million) were pledged as collateral for guarantees issued by banks on behalf of the Group.

13 Inventories

'000 000 RUB	31 December 2018	31 December 2017
Raw materials and consumables	4 238	2 611
Goods for resale	115	155
Work in progress	779	770
	5 132	3 536

14 Trade and other receivables

Non-current and current trade and other receivables include:

'000 000 RUB	31 December 2018	31 December 2017
Non-current trade and other receivables		
Receivables under completed construction contracts	4 775	-
Receivable under long-term investment agreements	1 797	971
Prepayments	584	-
Other receivables	665	478
	7 821	1 449
Current trade and other receivables		
Receivable under construction contracts, invoiced	1 379	373
Contract assets	22 908	9 748
Prepayments	4 869	2 788
VAT receivable	7 261	1 713
Other receivables	2 428	1 378
	38 845	16 000

Receivables under long-term investment agreements represent the retention by customers of a portion of receivables under construction contracts on which interest income accrues.

In 2018 the Group completed its contract to construct a motorway in the Republic of Komi under a concession arrangement. Income from construction services and the related construction costs of RUB 6 638 million and RUB 5 623 million had been recognized in the statement of profit or loss and other comprehensive income for years 2016 to 2018. The receivables representing future nominal payments of RUB 8 752 million will be paid in years 2019 to 2026, and as at 31 December 2018 are stated at their discounted value of RUB 6 402 million, including the short-term portion of RUB 1 256 million and a long-term portion of RUB 5 146 million.

A warranty provision for completed construction contracts represents the present value of the expected future cash flows. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks inherent in the asset.

The Group's exposure to credit risk related to contract assets, trade and other receivables and loans issued is disclosed in Note 21 (e).

15 Cash and cash equivalents

'000 000 RUB	31 December 2018	31 December 2017
Bank balances	-	754
Restricted cash	354	-
Deposits with maturities of three months or less from the acquisition date	-	13
Cash and cash equivalents in the consolidated statement of financial position in the consolidated statement of cash flows	354	767

As at 31 December 2018 cash in special accounts of RUB 17 452 million (31 December 2017: RUB 3 397 million) represents cash balances with restrictions imposed by state-owned customers and banks. Under the terms of the related government contracts, the cash balances can only be used to finance construction of certain projects under treasury or bank support, or to service or repay the related loan obligations.

16 Capital and reserves

(a) Share capital

The share capital consists of the sole owner's share of RUB 10 thousand.

(b) Dividends

In accordance with the Russian legislation the Company's distributable reserves are determined based on the Company's statutory financial statements prepared in accordance with Russian Accounting Principles.

In 2018 and 2017, dividends of RUB 220 million and RUB 126 million, respectively, were accrued, approved and paid to the Group's shareholder.

In 2018 and 2017, dividends of RUB 72 million and RUB 10 million, respectively, were accrued, approved and paid to holders of non-controlling interests in the Group's subsidiaries.

(c) Acquisition of non-controlling interests

In 2018 the Group sold 35% share in LLC Alt-Servis and 49% share in CJSC Trading Firm "Leon" to Mr. Andreev A.V., the ultimate beneficiary of the Group. The Group retained control over these subsidiaries after the sale of non-controlling shares.

17 Loans and borrowings

'000 000 RUB	31 December 2018	31 December 2017
Non-current liabilities		
Secured loans and borrowings	3 521	2 782
Inc. loans received under Public-private partnership agreements	3 521	2 782
Loans secured by the owner's guarantee	14 399	-
Inc. loans received under Public-private partnership agreements	*14 099*	-
Unsecured bonds	-	5 946
Unsecured loans	874	-
Inc. loans received under Public-private partnership agreements	*874*	-
Lease liabilities	652	582
	19 447	9 310
Current liabilities		
Current portion of non-current secured loans and borrowings	363	8
Inc. loans received under Public-private partnership agreements	343	-
Current portion of non-current unsecured loans and borrowings	38	52
Inc. loans received under Public-private partnership agreements	35	-
Unsecured bond loans	3 849	-
Secured loans and borrowings	852	3 392
Loans secured by the owner's guarantee	8 461	58
Unsecured loans and borrowings	1 070	51
Lease liabilities	609	431
	15 842	3 992

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Terms and debt repayment schedule '000 000 RUB	Nominal interest rate	Year of maturity	31 December 2018 Carrying amount	31 December 2017 Carrying amount
Secured loans in RUB	11,8-12,8%	2018	-	1 137
	10,0%	2018	-	1 249
	10,2-11,0%	2018	-	1 066
Central Bank of Russia rate for refinancing of loans as part of the investment project support program +2,5%		2025	3 875	2 782
	10-12,45%	2019	861	-
Loans in RUB secured by the owner's guarantee				
	9,5-10%	2019-2023	4 861	-
	10,1-10,8%	2018-2023	3 172	3
	11,4-13,3%	2018-2019	725	35
	12,0%	2033	14 099	-
Total secured loans in RUB			**27 596**	**6 272**
Unsecured bond loans in RUB				
	11,0%	2019	892	2 991
	Central Bank of Russia key rate + 3%	2019	2 957	2 955
Total unsecured bond loans in RUB			**3 849**	**5 946**

Terms and debt repayment schedule '000 000 RUB	Nominal interest rate	Year of maturity	31 December 2018 Carrying amount	31 December 2017 Carrying amount
Unsecured loans in RUB	11,0%	2043	912	-
Total unsecured loans in RUB			**912**	**-**
Unsecured borrowings from third-party companies in RUB				
	0-10%	2019	623	1
	14,5-16,5%	2019	1 009	-
Total unsecured borrowings from third-party companies in RUB			**1 632**	**1**
Unsecured borrowings from related companies in RUB				
	0-11%	2018-2019	38	50
Total unsecured borrowings from related companies in RUB			**38**	**50**
Lease liabilities				
	2,6%-39%	2018-2021	1 136	730
	5,5%-24%	2018-2021	126	303
Total lease liabilities			**1 262**	**1 033**
Total liabilities			**35 289**	**13 302**

The par value does not materially differ from the carrying amount of the liabilities

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities			
'000 000 RUB	Loans and borrowings	Bonds	Lease	Total
Balance at 1 January 2018	6 323	5 946	1 033	13 302
Changes from operating cash flows				
Interest paid	(2 063)	(744)	(34)	(2 841)
Total changes from operating cash flows	(2 063)	(744)	(34)	(2 841)
Changes from financing cash flows				
Proceeds from borrowings	46 243	-	623	46 866
Repayment of borrowings	(21 152)	-	(621)	(21 773)
Total changes from financing cash flows	25 094	0	0	25 094
Other changes				
Interest expense	1 715	794	162	2 671
Fees for unused credit limit	814	-	-	814
Bank charges for guarantees provided	350	-	-	350
Acquisition of property, plant and equipment under finance lease	-	-	101	101
Bonds issue	-	-	-	-
Offsetting	(751)	(2 362)	-	(3 113)
Other	(1 304)	215	-	(1 089)
Total other changes	824	(1 353)	263	206
Balance at 31 December 2018	30 177	3 849	1 262	35 289

	Liabilities			
'000 000 RUB	Loans and borrowings	Bond	Lease	Total
Balance at 1 January 2017	3 041	2 983	662	6 686
Changes from operating cash flows				
Interest paid	(1 225)	(621)	(166)	(2 012)
Total changes from operating cash flows	(1 225)	(621)	(166)	(2 012)
Changes from financing cash flows				
Proceeds from borrowings	23 249	2 912	-	26 161
Repayment of borrowings	(19 962)	-	-	(19 962)
Total changes from financing cash flows	3 287	2 912	-	6 199
Other changes				
Interest expense	1 004	672	166	1 842
Fees for unused credit limit	216	-	-	216
Acquisition of property, plant and equipment under finance lease	-	-	371	371
Total other changes	1 220	672	537	2 429
Balance at 31 December 2017	6 323	5 946	1 033	13 302

(c) Security

Bank loans as at 31 December 2018 are secured by property, plant and equipment in the amount of RUB 6.13 million (31 December 2017: nil), cash in special accounts of RUB 17 428 million (31 December 2017: RUB 157 million), 100% sharesin LLC KSK 4 and LLC Dorozhnaya kontsessiya,41% shares in LLC ASK and 34% shares in LLC YVM.

Bank loans are also secured by finance lease receivables from third party companies (see Note 14).

(d) Bonds

In June 2016, the Group issued 3 000 000 interest-bearing non-convertible bonds with the par value of RUB 1 000 each and total amount of RUB 3 000 million. The bonds mature in 5 years from the date of issue in June 2021. The bonds have 10 coupons with the duration of 182 days. The rate of the first six coupons is 14.0% per annum.

In April 2017, the Group issued 3 000 000 interest-bearing non-convertible bonds with a par value of RUB 1 000 each and total amount of RUB 3 000 million. The bonds contain an early repayment option at the request of their and at the discretion of the issuer. The bonds mature in 7 years from the date of placement (April 2024). The bonds have 14 coupons with the duration of 182 days. The annual rate of the first four coupons is 3%+ Central Bank of Russia key rate.

Bond holders have the right to exercise the put option within 5 working days of the latest coupon the value of which was set by the Group (June 2019 for the issue one and April 2019 for the issue two, the date of the earliest offer is 2 July 2019).

In June 2018, the Group repurchased its own interest-bearing non-convertible documentary bonds in the amount of 2 418 980 with a par value of RUB 1 000 each with a total par value of RUB 2 530 million. The maturity date is in 5 years from the date of placement (June 2021).

18 Trade and other payables

Current trade and other payables include:

'000 000 RUB	31 December 2018	31 December 2017
Current trade and other payables		
Contract liabilities	11 995	707
Trade payables	6 361	5 717
Payables for other services	3 895	1 771
Prepayments received	1 584	396
VAT payable	3 942	706
Other payables	1 513	1 723
	29 290	11 020

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 21.

19 Employee benefits

'000 000 RUB	2018	2017
Present value of obligations	615	665
Recognized benefit obligations	**615**	**665**

The Group contributes to the defined benefit plan, the purpose of which is to make pension and other payments to employees.

(a) Actuarial assumptions

The following were the principal actuarial assumptions used to measure obligations at the reporting date:

	31 December 2018	31 December 2017
Discount rate	8,6%	7,5%
Inflation rate	4,15%	4,0%
Future salary growth	6,1%	6,0%

20 Construction contracts in progress

'000 000 RUB	31 December 2018	31 December 2017
Invoices issued to customers to the reporting date	40 349	91 248
Uninvoiced revenue	55 096	8 895
Revenue recognized to the reporting date	95 445	100 143
Contract costs incurred to the reporting date		(86 281)
Recognized income from contracts in progress	22 979	13 862
Revenue recognized to the reporting date	95 445	100 143
Cash received from customers	(83 375)	(91 102)
Accumulated finance income/(costs)	(880)	-
Net receivable from / (payable to) customers	11 190	9 041
Including:		
Contract assets and receivables	22 908	9 748
Contract liabilities	(11 718)	(707)

	31 December 2018		
	Central Ring Road-3	Central Ring Road-4	Other projects
Invoices issued to customers to the reporting date	-	-	40 349
Uninvoiced revenue	49 116	4 240	1 740
Revenue recognized to the reporting date	49 116	4 240	42 089
Contract costs incurred to the reporting date	(29 042)	(2 874)	(40 550)
Recognized income from contracts in progress	20 074	1 366	1 539
Revenue recognized to the reporting date	49 116	4 240	42 089
Cash received from customers	(27 161)	(14 146)	(42 068)
Accumulated finance income/(costs)	(880)	-	-
Net receivable from / (payable to) customers	21 075	(9 906)	21
Including:			
Contract assets and receivables under construction contracts	21 075	-	1 833
Contract liabilities	-	(9 906)	(1 812)

Retentions under construction contracts represent warranty provisions retained by customers till certain date after the completion of the contract and amounted to RUB 318 million (as at 31 December 2017: RUB 136 million).

21 Fair values and risk management

(a) Measurement of fair values

The following methods were used in calculating of the fair value of financial assets:

— Contract assets, short-term trade and other receivables, cash and cash equivalents, short-term loans and borrowings, short-term trade and other payables: the fair value does not materially differ from the carrying amount;

— Long-term receivables and payables, long-term loans and borrowings, other non-current liabilities: the fair value was determined by the present value of expected cash flows.

(b) Review of main approaches

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

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

This note provides information about the Group's exposure to each of the risks shown, Group's objectives, policy and procedures for assessing and managing these risks and Group's approaches to capital management. Additional quantitative information is disclosed throughout these consolidated financial statements.

Risk management framework

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans issued. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group provides collateral in respect of trade and other receivables and investments, which is an estimate of expected credit losses.

(i) Exposure to credit risk

The carrying amounts of financial assets and contract assets represent the maximum credit exposure. The maximum level of credit risk at reporting date was:

'000 000 RUB	31 December 2018	31 December 2017
Interest-bearing bank promissory notes – at amortised cost	3 092	522
Contract assets receivables under construction contracts	29 062	10 257
Receivable under long-term investment agreements	1 797	971
Cash in special bank accounts	17 432	3 297
Cash and cash equivalents	354	767
Other financial assets	3 611	2 872
	55 348	18 786

A significant share of revenue was earned from services delivered to three customers (85% of total revenue in 2018 and 56% in 2017). Moreover, the majority of trade receivables and contract assets (see Note 20) is due to state-owned companies and organizations with the concentration of credit risk. When monitoring the customers' credit risk the Group's customers are analyzed by the following categories:

- Federal customers. This category includes institutions of the Ministry of Transport of the Russian Federation, mainly the Federal Road Agency (Rosavtodor).
- State-owned corporations and companies with government shares. This category includes state-owned companies, mainly the State Company Russian Highways.
- Regional governments. This category includes local governments such as local government offices or agencies.
- Municipal governments and other customers.

As at 31 December 2018 the share of receivables and contract assets from the State Company Russian Highways accounts for 36% (at 31 December 2017: 20%).

Group's contracts normally provide for annual downpayments from customers of up to 30% of the work planned to be completed during the year. The Group uses these funds to purchase materials, consumables and fuel and pay workers. However, the Group is usually required to provide its customers with a bank guarantee to secure the downpayment for failure to meet its contractual obligations. Most contracts provide for monthly payments for work performed. The Group invoices customers in accordance with the contract terms, which normally must be paid within 30 days of invoicing. In order to timely collect receivables and minimize the occurrence of bad debts, the Group has implemented the management control system and established procedures for monitoring and investigating the collection of receivables and contract assets management. The executives regularly monitor the status of receivable and work in progress and seek to manage the risk of non-payment or delay in payment. The Group creates an allowance for impairment, which reflects its estimate of losses in relation to contract assets, trade and other receivables. The Group first estimates the allowance based on the losses already incurred and then an extra allowance for expected additional credit losses in the future.

(ii) *Contract assets and other receivables*

Impairment losses

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables and contract assets as at 31 December 2018. Information estimates made from historical data of credit risks according to credit rating agencies:

Trade and other receivables

'000 000 RUB	Credit rating	Gross carrying amount	Impairment loss allowance
Fair risk	BB- to BB+	16 933	(51)
Substandard	B- to CCC-	1 441	(641)
		18 374	(692)

The total allowance, based on losses already incurred on an individual basis against the balances of trade and other receivables, and contract assets, additionally recognised as at 31 December 2018, amounted to RUB 387 million. This amount has been determined based on the professional judgment of the Group's executives in accordance with the Group's accounting policies. Based on all available information regarding these projects and negotiations with customers, the executives believe that recording the receivables from these projects as fully recoverable as at 31 December 2018 does not convey significant project execution uncertainty and credit risk, and therefore the corresponding allowance has been accrued.

The changes in the allowance for impairment in respect of trade and other receivables and receivables under construction contracts during the year was as follows:

Movements in the allowance for impairment

'000 000 RUB	31 December 2018	31 December 2017
Balance at 1 January	(1 013)	(978)
Increase in allowance, recognised in profit or loss	(761)	(70)
Outstanding amount written off against the allowance	695	36
Balance at 31 December	(1 079)	**(1 013)**

Allocation by the aging of receivables under construction contracts and other receivables at reporting date was as follows:

	31 December 2018			**31 December 2017**		
'000 000 RUB	**Gross carrying amount**	**Impairment loss allowance**	**Carrying amount**	**Gross carrying amount**	**Impairment loss allowance**	**Carrying amount**
Not past due	33 797	(906)	32 892	13 244	(871)	12 374
1-30 past due	221	-	220	92	-	92
31-90 days past due	7	-	7	4	-	3
91-120 days past due	2	-	2	1	-	1
More than 120 days past due	340	(173)	167	142	(142)	-
Total	34 367	(1 079)	33 288	13 483	(1 013)	12 470

(iii) Cash and cash equivalents

The Group's balance of cash and cash equivalents amounted to RUB 354 million at 31 December 2018 (2017: RUB 767 million).

The Group also held cash in special bank accounts of RUB 17 428 million at 31 December 2018 (2017: RUB 3 397 million).

The share of cash in current, special and deposit accounts of three largest banks which provided financial services to the Group amounted to 94% of the total balance on 31 December 2018 (65% of total balance on 31 December 2017).

Fitch rating equivalent*	31 December 2018 '000 000 RUB	31 December 2017 '000 000 RUB
BBB- to AAA	8 985	3 407
BB- to BB+	8 759	486
CCC to B+	42	271
Total	17 786	4 164

All bank balances and term bank deposits are not past due or impaired.

(iv) Investments and guarantees

The following table provides information about the exposure to credit risk and expected credit losses for investments as at 31 December 2018. Information estimates made from historical data of credit risks according to credit rating agencies:

'000 000 RUB	Credit rating	Gross carrying amount	Impairment loss allowance
Fair risk	BB- to BB+	5 774	(31)
Substandard	B- to CCC-	113	-
		5 887	(31)

As at 31 December 2018 the balance of guarantees provided to secure liabilities of third parties amounted to RUB 227 million (As at 31 December 2017: RUB 530 million).

(d) Liquidity risk

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

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements. Cash flows included in the maturity analysis are not expected to arise significantly earlier in time or in the amounts that differ significantly.

31 December 2018 '000 000 RUB	Carrying amount	Contractual cash flows	On demand	0-6 mths	6-12 mths	1-2 years	2-5 years and over
Secured bank loans and borrowings	4 736	6 084	-	1 659	353	718	3 954
Unsecured bank loans and borrowings	2 583	2 582	-	1 670	38	-	874
Unsecured bonds	3 849	3 988	-	3 930	58	-	-
Loans secured by the owner's guarantee	22 860	24 117	-	4 944	3 419	310	15 444
Lease liabilities	1 262	1 473	-	377	369	487	242
Trade and other payables	10 579	10 508	-	9 603	736	69	100
Fee for providing bank guarantee	-	628	-	250	241	117	20
Guarantees provided to third parties	-	177	-	177	-	-	-
Guarantees provided to related parties	-	258	-	258	-	-	-
	45 868	49 816	-	22 287	5 194	1 701	20 634

31 December 2017 '000 000 RUB	Carrying amount	Contractual cash flows	On demand	0-6 mths	6-12 mths	1-2 years	2-5 years and over
Secured bank loans and borrowings	6 182	7 944	966	1 519	1 379	511	3 569
Unsecured bank loans and borrowings	51	51	-	23	28	-	-
Unsecured bond	5 998	7 107	-	181	363	6 563	-
Loans secured by the owner's guarantee	38	39	-	39	-	-	-
Lease liabilities	1 033	1 257	-	310	284	462	201
Trade and other payables	8 551	8 652	-	8 478	-	51	123
Fee for providing bank guarantee	-	667	-	285	145	135	102
Guarantees provided to third parties	-	530	-	530	-	-	-
Guarantees provided to related parties	-	239	-	239	-	-	-
	21 853	26 486	966	11 804	2 199	7 522	3 995

(e) 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.

(f) Currency risk

The Group is not exposed to currency risk due to the absence of transactions in currencies other than functional.

(g) Interest rate risk

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

22 Contingencies

(a) 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, this period may be increased. 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.

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.

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

The Group carries out operations classified as controlled transactions and does not exclude possibility of disputes with tax authorities regarding the pricing procedure in such operations.

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

All 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 the tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on these consolidated financial statements, if the tax authorities are successful in enforcing their interpretations, could be significant.

23 Significant subsidiriaries

(a) Significant subsidiriaries:

Name	31 December 2018	31 December 2017
JSC DSK AVTOBAN	99,9943%	99,9995%
OJSC Khanty-Mansiyskdorstroy	72,27%	72,27%
OJSC SU-920	65,51%	65,51%
OJSC SU-906	70%	70%
LLC SU-926	72%	72%
LLC SPF Stromos	100%	100%
JSC Avtoban-Finance	95%	95%
LLC SU 910	100%	100%
LLC SU 911	100%	100%
LLC SU 925	100%	100%
LLC ASK	75%	72%
LLC Dorozhnaya koncessiya	72%	72%
LLC SU №905	72%	72%
LLC SU №967	72%	72%
LLC KSK №1	100%	100%
LLC SPF Stromos	100%	100%
LLC Yugo-vostochnaya magistral	60%	-

At 31 December 2018 and 2017 the Group pleged its shares in LLC ASK as collateral for guarantees issued by banks to secure the Group's obligations.

(b) Non-controlling interests (NCI)

'000 000 RUB **31 December 2018**	**OJSC Khanty-Mansiyskdorstroy**
NCI percentage	27,73%
Non-current assets	5 593
Current assets	12 400
Non-current liabilities	(1 359)
Current liabilities	(13 314)
Net assets	3 320
Carrying amount of NCI	**921**

'000 000 RUB	OJSC KhantyMansiyskdorstroy
2018	
Revenue	13 255
(Loss) for the year available for distribution	(115)
(Loss) for the year after distribution of intragroup dividends	(115)
Other comprehensive income for the reporting period	(93)
Other comprehensive income for the reporting period allocated to NCI	**(26)**
Dividends to NCI	**(9)**
Net cash flows used in operating activities	(436)
Net cash flows used in investment activities	(1 290)
Net cash flows used in financing activities	1 919
Net change in cash and cash equivalents	**193**

'000 000 RUB 31 December 2017	OJSC Khanty-Mansiyskdorstroy
NCI percentage	27,73%
Non-current assets	3 751
Current assets	10 905
Non-current liabilities	(2 625)
Current liabilities	(9 070)
Net assets	2 962
Carrying amount of NCI	**809**
2017	
Revenue	16 893
Profit (loss) for the year available for distribution	3 118
Profit (loss) for the year after distribution of intragroup dividends	1 110
Other comprehensive income for the reporting period	1 141
Other comprehensive income for the reporting period allocated to NCI	**317**
Dividends to NCI	(10)
Net cash flows from operating activities	825
Net cash flows used in investment activities	(1 441)
Net cash flows used in financing activities	618
Net change in cash and cash equivalents	**2**

Reconciliation with the consolidated statement of financial position as at 31 December 2018:

'000 000 RUB	31 December 2018
OJSC KhantyMansiyskdorstroy	921
Other subsidiaries	(9)
NCI in the consolidated statement of financial position	**912**

Reconciliation with the consolidated statement of financial position as at 31 December 2017:

'000 000 RUB	31 December 2017
OJSC KhantyMansiyskdorstroy	809
Other subsidiaries	121
NCI in the consolidated statement of financial position	**930**

Reconciliation with the consolidated statement of changes in equity for 2018:

'000 000 RUB	2018
OJSC KhantyMansiyskdorstroy	(26)
Other subsidiaries	105
NCI comprehensive income in the consolidated statement of changes in equity	79

Reconciliation with the consolidated statement of changes in equity for 2017:

'000 000 RUB	2017
OJSC KhantyMansiyskdorstroy	317
Other subsidiaries	(55)
NCI comprehensive income in the consolidated statement of changes in equity	262

In 2018, the NCI interest in subsidiaries with limited liability has not been recognized as the net assets of these entities were negative.

In addition to the amounts indicated above, the non-controlling interest in net assets and net loss/(profit) related to investments in subsidiaries with limited liabilities, was RUB 10 million and RUB 124 million (31 December 2016: RUB 29 million, 2016: RUB (3) million).

24 Transactions with related parties

(a) Ultimate controlling party

The Group's ultimate beneficial owner and the Company's sole shareholder is Mr. Andreev A.V.

(i) Key management remuneration

Key management includes Chief executive officers and Groups' directors. Key management received the following remuneration during the year, which is included in employee benefit expenses (see Note 9):

'000 000 RUB	2018	2017
Salaries and bonuses	329	389
Contributions to State pension fund	47	51
Contributions to defined benefit plan (non-state pension insurance)	2	-
Termination benefits	2	-
	380	440

(b) Other related party transactions

(i) Finance income and costs

'000 000 RUB	Transaction value 2018	Transaction value 2017
Interest income on loan issued	7	45
Discount of long-term payables and loans received from related parties	20	-
	27	45

(ii) Purchases

'000 000 RUB	Transaction value 2018	Transaction value 2017
Services	369	757
	369	757

(iii) Outstanding balances

'000 000 RUB	Outstanding balances as at 31 December 2018	Outstanding balances as at 31 December 2017
Non-current assets		
Other account receivables	238	-
	238	-
Current assets		
Other trade account receivables	33	25
Advances issued	94	24
Loans issued	215	918
	342	967

In 2018 the Group provided loans to related parties of RUB 167 million (during 2017: RUB 43 million).

In 2017 the Group reversed previously recognized allowance for impairment in respect of loans issued to the related parties of RUB 270 million.

'000 000 RUB	Outstanding balances as at 31 December 2018	Outstanding balances as at 31 December 2017
Non-current liabilities		
Trade accounts payables	(8)	-
	(8)	-
Current liabilities		
Current portion of long-term bank loans and borrowings	(7)	-
Trade accounts payables	(115)	(288)
Other accounts payables	(34)	(61)
Short-term bank loans and borrowings	(11)	(50)
	(167)	(399)

(iv) Guarantees

At 31 December 2018 and 2017 the amount of guarantees provided to the related parties was RUB 208 million and RUB 239 million, respectively.

At 31 December 2018 and 2017 long- and short-term Group's bank loans of RUB 8 761 million and RUB 2 million, respectively, were secured by guarantees provided by the ultimate beneficial owner.

25 Subsequent events

Loans, borrowings and other sources of financing

Subsequent to 31 December 2018 the following entities of the Group received loans and borrowings from third parties:

— LLC ASK received RUB 10 164 million from JSC Gazprombank and RUB 500 million from the Eurasian Development Bank (as contracted prior to the balance sheet date;

— LLC Dorozhnaya konsessiya received RUB 209 million from JSC Gazprombank;

— OJSC Khanty-Mansiyskdorstroy received RUB 144 million from Roma Luxury Services Ltd;

— LLC Yugo-Vostochnaya Magistral received progress payment from its customer of RUB 4 156 million;

— On 28 March 2019 JSC Avtoban-Finance issued 3 000 000 interest-bearing non-convertible bonds with a par value of RUB 1 000 each and a total amount of RUB 3 000 million. The bonds contain an early repayment option at the bondholders' request and at the discretion of the issuer. The maturity date is 5 years from the date of issue (April 2024). The bonds have 10 coupons with the coupon period of 182 days. The annual rate for the first four coupons is 11 per cent. In addition, on 6 May 2019 the offer was executed to approve the securities program in the amount of RUB 2,779 million.

Other events

— LLC ASK refunded input VAT of RUB 1 527 million.

— LLC Yugo-Vostochnaya Magistral refunded input VAT of RUB 247 million.

— In January 2019 Group's discontinued LLC Rosa, a subsidiary.

26 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

27 Significant accounting policies

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

(a) Basis of consolidation

(i) 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.

(ii) 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 assessment of control takes into account the impact of potential voting powers that could be exercised (as a result of the execution of the relevant financial instruments) at the time of the assessment. 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.

(iii) 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.

(iv) 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) 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.

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

The Group's inventories include raw materials and materials for construction, goods for resale, and work in progress under construction contracts.

Work in progress includes the cost of raw materials and supplies, labor costs of operational staff and production overheads (including depreciation) attributable to each civil engineering facility.

Work in progress under construction contracts includes work in progress under construction contracts related to future activities and work in progress under contracts for the construction of civil objects and investment participation therein.

(c) Financial instruments

(i) Recognition and initial measurement

Non-derivative financial instruments include investments in equity (equity securities) and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, as well as trade and other payables.

The Group initially recognises loans and receivables, as well as deposits on the date that they are originated. All other financial assets and are initially recognized on the date of the transaction 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

Policy applicable from 1 January 2018

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;
- 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 accounting policies are applied in 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 interests

In accordance with the Federal Law "On Limited Liability Companies" №14-FZ dated February 8, 1998, each member of the company has the right to withdraw from the company and receive the actual value of his shares determined on the basis of the company's accounts, if such a possibility has been provided for by the company's charter. These rights are recognized as a puttable debt instrument and therefore any gain or loss attributable to minorities is recognized in finance costs.

Financial liabilities

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

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

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

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.

(iii) *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.

(iv) *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.

(v) Impairment

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- 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 measures loss allowances for trade receivables and contract assets without a significant financing component at an amount equal to lifetime ECLs.

The Group measure loss allowances for trade receivables and contract assets with a significant financing component at an amount equal to 12-month ECLs after the reporting date unless there is a significant increase in credit risk.

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 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).

If customers have credit ratings assigned by the rating agency ECLs of financial assets are calculated based on the actual data of credit risks. International rating agencies have the advantages when choosing a credit rating.

The level of losses is calculated using the "refinancing rate" method based on the probability of the amount of receivables moving from one level of credit risk to another through stages of delinquency to write-off.

When determining ECLs of financial assets which are not in default but there are justified facts indicating that these assets are non-recoverable, the Group estimate ECLs based on all the facts and circumstances known for each specific project taking into account the legal issues of project execution in a particular 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

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

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.

Policy applicable before 1 January 2018

The Group had the following non-derivative financial assets: loans and receivables, available-for-sale financial assets, and cash and cash equivalents.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments (see note 43(e)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

All financial liabilities are initially recognised on the date of the transaction, when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group had the following non-derivative financial liabilities: loans, borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities on initial recognition of three months or less.

(d) Contract asset/liability

Contract assets represent the gross amount expected to be received from customers for work completed to date. This amount is equal to the cost of work, increased by profit recognized to date (Note 20), less recognized losses and invoices. Cost includes all costs directly attributable to projects and allocated to projects, fixed and variable overheads incurred in the normal course of the Group's operations under these contracts.

In cases where payments received for work performed exceed the costs incurred, taking into account the recognized profit or loss, this difference is presented in the consolidated statement of financial position as a liability under construction contracts.

(e) Guarantees

The Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(f) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for receivables, at both an individual asset level. All assets are individually assessed for impairment.

In assessing impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. For a financial asset measured at amortized cost an impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in allowance account the amount of which is deducted from the value of the financial asset. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) 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 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.

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 dis-count rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. 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.

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 amounts of the assets in the CGU (group of CGUs) on a pro rata basis.

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.

(g) Employee benefits

(i) Defined contribution plans

In the ordinary course of operations, the Group makes payments to the State Pension Fund of the Russian Federation on behalf of its employees. These payments represent a defined benefit plan and are expensed when incurred and included in "Payroll and Payroll Taxes" item.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. 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 annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When future employee benefits increase, the amount of the increase in the portion related to past services is recognized in profit or loss on a straight-line basis over the average period until the vested right to the benefit is obtained. If the right to receive the increased amounts of future benefits is earned immediately, the corresponding expense is recognized in profit or loss for the period immediately in full.

All actuarial profits and losses related to defined benefit plans are recognized by the Group in other comprehensive income, and all expenses related to these plans are recognized as part of employee benefits expense in profit or loss for the period.

The Group recognizes profits and losses from the sequestration or final settlement of the defined benefit plan when the sequestration or final settlement of the plan occurs. The profit or loss from the sequestration includes the resulting change in the fair value of plan assets, the change in the present value of the future defined benefit obligation, and any associated unrecognized actuarial profits and losses and past services costs.

(iii) Short-term employee benefits

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.

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

(iv) 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.

(b) Revenue

(i) Construction contracts

A construction contract is a contract entered into specifically for the construction of a facility or a number of facilities that are closely interrelated or interdependent in their design, technology and functions, or in the context of the ultimate purpose of their use.

The Group has determined that under construction contracts, the customer controls all assets generated during the construction process that takes place on the customer's site. Moreover, construction under these contracts is carried out on the basis of the customer's project documentation, therefore the assets have no alternative use. If the customer terminates the contract early, the Group is entitled to reimbursement of costs incurred prior to the termination date, including the reasonable margin. Therefore, revenue from these contracts and related costs are acclaimed over time up to handover of a completed work to the customer.

There are two categories of construction contracts: fixed price contracts and cost-plus contracts.

Revenue and contract costs are recognized using the resource method based on costs actually incurred to total planned costs.

If the result under the construction contract cannot be reliably determined, revenue is recognized at the amount of costs incurred, the probability of which will be recovered until a reliable estimate is available or construction is completed under the contract. The obligations under the contract are considered fulfilled when all work is completed and accepted by the customer.

Costs are expensed as incurred, except to the extent that they create an asset related to future activities under the contract.

If it is highly probable that the total cost of the contract will exceed the revenue of the contract, the amount of the expected loss under the contract is recognized as an expense in the period. The expected losses are determined based on the most recent estimates of the amounts of revenue, costs and the result of the contract.

Under the terms of some construction contracts, the Group is liable for construction defects discovered by the customer after the construction site was put into operation. The average period of such warranty obligations validity is 13-15 years from the date of commissioning of the facility. In order to ensure that the Group fulfills its warranty obligations, the customer will normally withhold 5% of the contract amount until the warranty period expires. Revenue is recognized at the discounted amount of consideration on the basis that the payment period is longer than the usual credit terms.

(ii) Revenue from the Civil Engineering

Revenue from the civil engineering includes the revenue from the sales of residential accommodation built according to predeveloped and approved projects, excluding the individual requirements of buyers.

Transaction price of real estate sales is estimated at the value of the compensation received or receivable less any trade discounts granted, if any, and includes a significant financing component that reflects the price that a buyer would pay for the property if it were to pay in cash when (or as), the obligation under the contract is being fulfilled. The consideration not received in cash is measured at the fair value of the assets or services transferred.

Revenue is recognized when or as control is transferred to the customer.

The Group estimates a significant financing component at the time of contract registration using the discount rate for the Group's borrowing portfolio based on the construction period, and for installment payments, the borrowing rate available to individuals for the purchase of real estate. A significant financing component is included in the total transaction price and in the revenue recognized in the reporting period according to the stage of completion.

The moment of transfer of control, that is, the fulfillment of an obligation under the contract, depends on the individual conditions of the contract with the buyer. The bulk of the Group's revenue from civil engineering is revenue from co-investment agreements. Before 1 January 2018 revenue from co-investment agreements was recognized upon completion of construction at the time of acceptance by the state commission.

In cases where the sales of real estate in residential apartment buildings is carried out in accordance with the requirements of Federal Law No. 214, according to which the developer has the right to receive the full amount of remuneration under the contract, and if the construction was completed without violating the conditions of the co-investment agreement, and such co-investor shall not have the right to unilateral refusal to perform the contract out of court, revenue is recognized over time based on the degree of contract performance.

The Group applies the resource method to estimate the degree of contract obligation fulfillment based on actual costs incurred against total costs planned.

The degree of works completion under the contract is estimated monthly as the ratio of actual costs to budget costs.

(iii) Other revenue

Revenue from other operations is measured based on the consideration specified in a contract with a customer and reduced by expected refunds, discounts and other similar bonuses. The Group recognises revenue when it transfers control over a good or service to a customer.

(i) Other expenses

(i) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are recognized by revising the minimum lease payments for the remaining lease term when the change is confirmed.

"Contingent" (i.e. contingent on future events) lease payments are recognized by revising the minimum lease payments for the remaining lease term when the related uncertainty disappears and the amount of the lease adjustment becomes known.

(j) Finance income and finance costs

Finance income includes interest income on funds invested, dividend income and profit on disposal of investments. Interest income is recognized in profit or loss for the period when it is incurred and calculated using the effective interest method.

Finance costs include interest expense on borrowings, amounts reflecting amortization of discounts on reserves and contingent consideration, losses on disposal of available-for-sale financial assets, and recognized impairment losses on financial assets (other than trade receivables).

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

(k) 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.

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.

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

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

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

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.

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. 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.

28 New standards and interpretations not yet adopted

A number of 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. Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's consolidated financial statements in the period of initial application.

Other standards and interpretations

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

– IFRIC 23 *Uncertainty over Tax Treatments*.

– *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*.

– *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*.

– *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*.

– *Annual Improvements to IFRS Standards 2015–2017 Cycle* – various standards.

– *Amendments to References to Conceptual Framework in IFRS Standards*.

– *IFRS 17 Insurance Contracts*.

KPMG

Independent Auditors' Report

To the Shareholder of Joint-Stock Company SOYUZDORSTROY

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Responsibilities of Management 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.

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 International Standards on Auditing, 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.

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

КПМГ
KPMG

Samarin M.V.

JSC "KPMG"

Moscow, Russia

28 May 2010