O1 Properties Group

Management Report and Consolidated Financial Statements
31 December 2019

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Theonitsa Andriana Constantinou (Appointed 07/08/2019) Oleg Myshkin (Appointed 24/04/2019) Eleni Ralaiarisoa (Appointed 11/05/2018) Adina Viviana Szemethy (Appointed 11/05/2018) Evripidis Pavlou (Appointed 11/05/2018) Sophia Demosthenous (Appointed 11/05/2018) Savvas Polyviou (Appointed 11/05/2018)
	Ioanna Savvidou (Resigned 07/08/2019) Dmitriy Mints (Resigned 11/05/2018) Tomasz Zamiara (Resigned 11/05/2018) Alexander Erdman (Resigned 11/05/2018) Alexander Ostrovskiy (Resigned 11/05/2018) Richard Gregson (Resigned 11/05/2018) Timothy Fenwick (Resigned 11/05/2018) Andrey Barinskiy (Resigned 11/05/2018) Konstantin Yanakov (Resigned 11/05/2018) Norbert Kickum (Resigned 11/05/2018)
Secretary:	Theonitsa Andriana Constantinou
Independent Auditors:	Deloitte Limited, Cyprus Certified Public Accountants and Registered Auditors
Registered office:	18 Spyrou Kyprianou 2nd floor 1075 Nicosia Cyprus
Bankers:	Sberbank JSC Raiffeisenbank JSC Unucredit Bank Rigensis Bank AS VTB Bank Gazprombank CJSC Credit Europe Bank N.V. The Russian Regional Development Bank (RRDB) JSC Bank “Peresvet”
Registration number:	HE 272334

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of O1 Properties Limited (the "Company") and its subsidiaries ("O1 Properties Group" or the "Group") for the year ended 31 December 2019.

Incorporation and status

O1 Properties Limited was incorporated in Cyprus on 24 August 2010 as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. On 28 March 2012 the Company was reconstituted from a private limited liability company to a public limited company under the name O1 Properties plc. On 10 July 2012 the Company was reconstituted from public limited company to a private limited liability company under the name O1 Properties Limited.

Principal activities

The principal activities of the Company are the holding and financing of investments. The Group operates in Moscow real estate market (Russian Federation). In particular, the Group is focused on buying both active and developing investment properties in the Russian Federation to derive profit from their activities. During prior and current year, the Group also engaged in the construction of premium class residential apartments for further sale to private residents.

Review of the development and current position of the Group and description of the major risks and uncertainties

The loss of the Group for the year ended 31 December 2019 was USD 272 306 thousand (2018: USD 480 201 thousand) while total comprehensive loss for the year was USD 227 310 thousand (2018: USD 571 677 thousand).

The net rental income of the Group for the year ended 31 December 2019 was USD 238 242 thousand (2018: USD 219 973 thousand).

At 31 December 2019 the total assets of the Group were USD 3 624 202 thousand and the total equity was USD 104 382 thousand (31 December 2018: USD 3 683 149 thousand and USD 331 692 thousand respectively).

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered as relevant to the current economic environment.

Description of the major risks and uncertainties

The principal risks that both the Company and the Group face are market risk, interest rate risk, credit risk, liquidity risk, currency risk, operating risk and capital management risk. Additionally, the uncertain current economic environment in the Russian Federation and Cyprus, could adversely affect the results of the Company and the Group.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in Notes 2, 4, 24, 25 and 26 to the consolidated financial statements.

Future developments of the Company and the Group

The Board of Directors does not anticipate any significant changes in the activities of the Company and the Group in the foreseeable future.

Results and Dividends

The Group's results for the year ended 31 December 2019 are set out on page 8. During 2019 the Directors did not recommend the payment of dividends.

CONSOLIDATED MANAGEMENT REPORT (Continued)

Share capital

There were no changes in the share capital of the Company during the year.

Environmental Issues

The Group is committed to reducing the environmental footprint of its buildings and ensuring the well-being of the people who use them. O1 Properties Group was one of the first in Russia to apply environmental standards at its office centres. Initiatives include the use of special technologies to save natural resources, reduction of water and power consumption, separation of waste flows, and support for environment-friendly transport.

The Group has led the way in Russia in the certification of buildings to international environmental standards. Eleven of the Group's office centres in Moscow (White Square, Ducat Place III, Lighthouse, Greendale,Vivaldi Plaza, White Stone, iCube, LeFORT, Silver City, Krugozor and Stanislavsky) have been certified compliant with the UK's BREEAM system for environmental certification of buildings, which is now the most popular system of its kind in Europe. The Greendale centre is the only building in Russia to date, which BREEAM specialists have judged "Outstanding".

Board of Directors

The members of the Company's Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1. Ioanna Savvidou, who was director as at 1 January 2019, resigned on 7 August 2019 and on the same date Theonitsa Andriana Constantinou was appointed in her place and also Oleg Myshkin was appointed on 24 April 2019.

Significant events after the reporting period

Significant events that occurred after the end of the reporting period are described in Note 32 to the consolidated financial statements.

Existence of branches

During the year ended 31 December 2019 the Company did not operate through any branches.

Independent Auditors

The Independent Auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

June, 05 2020

Director

THEONITSA ANDRIANA CONSTANTINOU
DIRECTOR

Deloitte.

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Independent Auditor's Report

To the Members of O1 Properties Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of O1 Properties Limited (the "Company") and its subsidiaries (together with the Company the "Group"), which are presented in pages 8 to 73 and comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the consolidated financial statements, concerning the Group's ability to continue as a going concern. The Group incurred a loss of USD 272 306 thousand during the year ended 31 December 2019 (31 December 2018: loss USD 480 201 thousand) and, as of that date, the Group had net current liabilities of USD 343 229 thousand (31 December 2018: net current liabilities USD 574 303 thousand). The Group is currently in breach of its six months bond coupon payment in the amount of USD14.5 million and as a result the Bond holders have the right to request immediate repayment of the principal amount of USD 350 million.

In performing their assessment of going concern, the Directors have considered forecast cash flows for a period of more than 12 months from the date of issuance of the consolidated financial statements. The timing and realisation of a number of key assumptions within the forecasts are not wholly within management's control and require the consent of the Bond holders and other creditors of the Group. Moreover, uncertainties resulting from the anticipated negative impact on the Russian economy as a result of the changes in the economic environment explained in Note 3 may materially affect these assumptions, particularly the cash flows from its rental agreements.

As stated in Note 3, these events or conditions, along with the other matters as set forth in Note 3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter

Deloitte.

Independent Auditor's Report (Continued)

To the Members of O1 Properties Limited

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report which is presented in pages 2 and 3, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Company'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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Deloitte.

Independent Auditor's Report (Continued)

To the Members of O1 Properties Limited

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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 a true and fair view.

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

We communicate with the Board of Directors 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.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report presented in pages 2 and 3 has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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Demetris Papapericleous
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Limassol, 5 June 2020

In thousands of US Dollars	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	20 997	22 043
Investment property	7	3 113 029	3 207 953
Other investments	9	8 672	8 946
Loans issued	10	237 203	219 498
Prepayments and deferred expenses		5 340	5 207
Trade and other receivables	12	2 952	-
Deferred income tax asset	23	99 902	119 987
Total non-current assets		**3 488 095**	**3 583 634**
Current assets			
Residential property under construction	11	13 965	9 643
Derivative financial instruments	26	12 205	-
Loans issued	10	45 480	7 998
Prepayments and deferred expenses		11 586	3 747
VAT receivable		418	1 513
Trade and other receivables	12	15 757	23 766
Current income tax prepayments		2 299	2 001
Cash and cash equivalents	13	34 397	39 787
Assets classified as held for sale	14	-	11 060
Total current assets		**136 107**	**99 515**
TOTAL ASSETS		**3 624 202**	**3 683 149**
LIABILITIES			
Non-current liabilities			
Borrowings	15	2 896 829	2 509 781
Tenant deposits		40 241	38 844
Deferred income tax liability	23	103 414	129 014
Total non-current liabilities		**3 040 484**	**2 677 639**
Current liabilities			
Borrowings	15	120 944	281 064
Derivative financial instruments	26	-	24 510
Tenant deposits		5 789	5 388
Deferred rental income		49 822	52 510
Provisions	16	72 022	79 225
Financial guarantees liabilities	17	190 312	185 746
Current income tax liability	23	10 754	4 476
Trade and other payables and other liabilities	18	29 693	27 891
Liabilities directly associated with assets classified as held for sale	14	-	13 008
Total current liabilities		**479 336**	**673 818**
TOTAL LIABILITIES		**3 519 820**	**3 351 457**
EQUITY			
Share capital and share premium	19	1 194 359	1 194 359
Property revaluation reserve	6	15 485	18 065
Currency translation reserve		(66 560)	(108 116)
Retained earnings		(1 061 479)	(801 825)
Equity attributable to the owners of the Company		**81 805**	**302 483**
Non-controlling interest	30	**22 577**	**29 209**
TOTAL EQUITY		**104 382**	**331 692**
TOTAL LIABILITIES AND EQUITY		**3 624 202**	**3 683 149**

Approved for issue by the Board of Directors and signed on its behalf on 05 June 2020.

Director
THEONITSA ANDRIANA CONSTANTINOU
DIRECTOR

Director
ADINA VIVIANA SZEMETHY
DIRECTOR

In thousands of US Dollars	Note	For the year ended 31 December 2019	2018
Rental revenue		280 448	273 621
Operating expenses of investment property	20	(42 206)	(53 648)
Net rental income	20	**238 242**	**219 973**
Net (loss)/gain from fair value adjustment on investment property	7	(468 752)	363 233
Gain from disposal of residential property under construction		199	-
General and administrative expenses	21	(24 860)	(24 279)
Provisions	16	7 600	(79 225)
Other operating expenses	21	(7 846)	(21 900)
Other (expenses)/income		(529)	319
Net loss from disposal of subsidiaries and joint venture, including reclassification of exchange difference on disposal of the investments from other comprehensive income/loss to the profit or loss	31	(1 073)	(40)
Finance income	22	79 000	99 664
Finance costs	22	(253 868)	(290 432)
Net impairment loss on financial assets and guarantees	10,12,17,24	(53 483)	(290 582)
Share in previous year loss of joint venture recovery	8	-	10 763
Foreign exchange translation gains less losses/(losses less gains)		213 306	(439 313)
Loss before income tax		**(272 064)**	**(451 819)**
Income tax credit/(expenses)	23	(242)	(28 382)
Loss for the period		**(272 306)**	**(480 201)**
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently *to profit or loss:*			
Effect of translation to presentation currency of the financial statements of foreign operations		46 536	(97 395)
Reclassification of exchange difference on disposal of the investments from other comprehensive income/(loss) to the profit or loss	31	1 040	(4 075)
Share of other comprehensive income of joint venture	8	-	75
Reclassification of exchange difference on disposal of joint venture from other comprehensive income to the profit or loss	31	-	6 860
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	*6*	(3 225)	3 815
Deferred tax asset movement on the property revaluation	23	645	(756)
Total other comprehensive income/(loss) for the period		**44 996**	**(91 476)**
Total comprehensive loss for the period		**(227 310)**	**(571 677)**
Loss is attributable to:			
- Owners of the Company		(259 654)	(480 864)
- Non-controlling interest		(12 652)	663
Total comprehensive loss is attributable to:			
- Owners of the Company		(220 678)	(558 799)
- Non-controlling interest		(6 632)	(12 878)

In thousands of US Dollars	Note	Attributable to owners of the Company Share capital	Share premium	Property revaluation reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 December 2017		**1 140**	**1 193 219**	**15 006**	**(27 122)**	**(314 840)**	**867 403**	**42 087**	**909 490**
Adjustment on initial application of IFRS 9		-	-	**-**	-	(6 121)	(6 121)	-	(6 121)
Balance at 1 January 2018		**1 140**	**1 193 219**	**15 006**	**(27 122)**	**(320 961)**	**861 282**	**42 087**	**903 369**
Total comprehensive (loss)/income									
(Loss)/income for the period		-	-	-	-	(480 864)	(480 864)	663	(480 201)
Other comprehensive (loss)/income for the period		-	-	3 059	(80 994)	-	(77 935)	(13 541)	(91 476)
Total comprehensive (loss)/income for the period		-	-	3 059	(80 994)	(480 864)	(558 799)	(12 879)	(571 678)
Balance at 31 December 2018		**1 140**	**1 193 219**	**18 065**	**(108 116)**	**(801 825)**	**302 483**	**29 209**	**331 692**
Total comprehensive (loss)/income									
Loss for the period		-	-	-	-	(259 654)	(259 654)	(12 652)	(272 306)
Other comprehensive income/(loss) for the period		-	-	(2 580)	41 556	-	38 976	6 020	44 996
Total comprehensive income/(loss) for the period		-	-	(2 580)	41 556	(259 654)	(220 678)	(6 632)	(227 310)
Balance at 31 December 2019		**1 140**	**1 193 219**	**15 485**	**(66 560)**	**(1 061 479)**	**81 805**	**22 577**	**104 382**

In thousands of US Dollars	Note	For the year ended 31 December 2019	2018
Loss before income tax		**(272 064)**	**(451 819)**
Adjustments for:			
Depreciation	21	701	550
Net loss/(gain) from fair value adjustment on investment property	7	468 752	(363 233)
Gain from disposal of residential property under construction		(199)	-
Impairment of residential property under construction		-	14 335
Net loss from disposal of subsidiaries and joint venture, including reclassification of exchange difference on disposal of the investments from other comprehensive income/loss to the profit or loss	31	1 073	40
Provisions	16	(7 600)	79 225
Net impairment loss on financial assets and guarantees	10,12,17,24	53 483	290 542
Finance costs	22	253 868	290 432
Finance income	22	(79 000)	(99 664)
Share of result of joint venture	8	-	(10 723)
Foreign exchange translation losses less gains/(gains less losses)		(213 306)	439 313
Other non-cash adjustments		(476)	(111)
Operating cash flows before working capital changes		**205 232**	**188 887**
Net (decrease)/increase in VAT receivable		1 095	(2 038)
Net (decrease)/increase in trade and other receivables		(8 618)	13 309
Net (increase)/decrease in prepayments		(7 629)	1 118
Net increase in inventories		(3 032)	(14 981)
Net decrease in tenant deposits		(2 898)	(10 120)
Net decrease in deferred rental income		(2 177)	(6 723)
Net increase in trade and other payables		15 772	24 317
Changes in working capital		**(7 487)**	**4 882**
Income tax paid		(2 839)	(7 505)
Net cash from operating activities		**194 906**	**186 264**
Cash flow from/(used in) investing activities			
Expenditures on subsequent improvements of investment property	7	(2 146)	(1 358)
Cash inflow from sale of shares in subsidiary and joint venture net of cash disposed	31	(494)	37 974
Loans issued		(89 194)	(29 157)
Repayment of loans issued		32 697	21 163
Interest received		103	929
Net cash (used in)/from investing activities		**(59 034)**	**29 550**
Cash flows used in financing activities			
Proceeds from borrowings		599 134	131 659
Repayment of borrowings		(543 246)	(137 450)
Interest paid		(193 769)	(203 298)
Derivatives termination payment		-	(1 355)
Payments for land lease		(3 254)	(3 430)
Dividends paid		-	(5 178)
Net cash used in financing activities		**(141 135)**	**(219 052)**
Effect of exchange rate changes on cash and cash equivalents		(696)	(584)
Net decrease in cash and cash equivalents		**(5 959)**	**(3 821)**
Cash and cash equivalents at beginning of the period		40 356	44 177
Cash and cash equivalents at the end of the period	**13,14**	**34 397**	**40 356**

The cash flow includes the movements relating to assets held for sale.

In June 2018 the outstanding payable to Cesium Limited in the amount USD 10 000 thousand was set off against the receivable amount under the Loan Agreement dated 28 December 2015.
Refer to Note 9 and Note 31 for the other information on significant non-cash transactions.

1 General Information

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap 113, for O1 Properties Limited (the "Company") and its subsidiaries (the "Group").

The Company was incorporated on 24 August 2010 as a private limited liability company and is domiciled in Cyprus. The address of its registered office is 18, Spyrou Kyprianou, 2nd floor, 1075 Nicosia, Cyprus.

At 31 December 2019 and 31 December 2018 the Company's principal immediate shareholders were Riverstretch Trading and Investments Limited (Cyprus), Yofoura Holding Limited (Cyprus) and certain other companies which owned 70.038%, 14.410% and 15.552% of Class "A" shares respectively. At 31 December 2019 the owners of Class "B" shares were Riverstretch Trading and Investments Limited, Yofoura Holding Limited and certain other companies which owned 58.391%, 21.865% and 19.744% of Class "B" shares respectively (31 December 2018: Riverstretch Trading and Investments Limited, Yofoura Holding Limited and certain other companies which owned 58.391%, 21.695% and 19.914% of Class "B" shares respectively). Refer to Note 19 for an overview of the differences in rights and obligations of "A" and "B" shareholders.

From 4 July 2018 following the Change of Control Mr. Pavel Vashchenko, citizen of the Russian Federation (the "Ultimate Controlling Shareholder"), became the ultimate controlling party of the Group.

Principal activity: The principal activities of the Company are the holding and financing of investments. The Group operates in Moscow real estate market (Russian Federation). In particular, the Group is focused on buying both active and developing real estate in Moscow to derive profit from their activities. During the current year, the Group also engaged in construction of premium class residential apartments for further sale to private residents.

At 31 December 2019 the Company's long-term corporate credit rating assigned by the international agency Moody's was B3 (2018: B3). Refer to Note 2 for changes subsequent to the year end.

At 31 December 2019 and 2018 the consolidated subsidiaries and joint ventures of the Group were as follows:

Entity	Country of incorporation/ continuation	Principal activity	% of effective ownership at 31 December 2019	% of effective ownership at 31 December 2018
Almos CJSC	Russian Federation	Investment property	82.34 [1]	82.34
Business Center Stanislavsky (Cyprus) Limited	Cyprus	Investment property	100 [1]	100 [1]
Firma "Morava" LLC	Russian Federation	Investment property	85 [1]	85
Gasheka Realty Limited Liability Company	Russian Federation	Investment property	100 [1]	100 [1]
Goldstyle Holdings Limited	Cyprus	Investment property	50.5 [1]	50.5 [1]
Krugozor Business Center (Cyprus) Limited	Cyprus	Investment property	100 [1]	100 [1]
OOO Kvartal 674-675	Russian Federation	Investment property	100 [1]	100 [1]
Le Fortaco Limited	Cyprus	Investment property	100 [1]	100 [1]
Levisoma Trading Limited	Cyprus	Investment property	100 [1]	100 [1]
Levium Limited	Russian Federation	Investment property	50.52 [1]	50.52 [1]
Mervita Holdings Limited	Cyprus	Investment property	100 [1]	100 [1]
Meteolook Investments Limited	Cyprus	Investment property	100 [1]	100 [1]
Pianconero Investments Limited	Cyprus	Investment property	100 [1]	100 [1]
Semela Limited	Russian Federation	Investment property	100	100
LLC "Silver city"	Russian Federation	Investment property	100 [1]	100 [1]
Tzortis Limited	Cyprus	Investment property	100 [1]	100 [1]
VKS INVEST LTD	Russian Federation	Investment property	100	100
Afelmor Overseas Limited	Cyprus	Holding company	100 [1]	100 [1]
Aldino Holding Limited	Cyprus	Holding company	100	100
Amortilla Holding Limited	Cyprus	Holding company	100 [1]	100 [1]
Argam Limited	Cyprus	Holding company	100 [1]	100 [1]
Bitlena Holdings Limited	Cyprus	Holding company	100 [1]	100 [1]
Cemvertia Investments Ltd	Cyprus	Holding company	100	100
Freyamoon Limited	Cyprus	Holding company	100 [1]	100 [1]
Granisforth Investment Limited (Note 31)	Cyprus	Holding company	-	50.52 [1]
Gunilla Limited	Cyprus	Holding company	50.5	50.5
Hannory Holdings Limited	Cyprus	Holding company	100	100
Isida Limited (Note 31)	Russian Federation	Holding company	-	50.52 [1]
Letvion Investments Limited	Cyprus	Holding company	85	85

1 General Information (Continued)

Entity	Country of incorporation/ continuation	Principal activity	% of effective ownership at 31 December 2019	% of effective ownership at 31 December 2018
Minesign Limited	Cyprus	Holding company	100	100
Mistalda Holdings Limited	Cyprus	Holding company	50.52 [1]	50.52 [1]
Mokati Limited	Cyprus	Holding company	100	100
Mooncrown Limited	Cyprus	Holding company	100	100
Moonpeak Limited	Cyprus	Holding company	100	100
Narvi Finance Limited	Cyprus	Holding company	50.5 [1]	50.5 [1]
Niceta Trading Limited	Cyprus	Holding company	100	100
Paremos Limited	Cyprus	Holding company	100	100
Persey CJSC	Russian Federation	Holding company	100	100
Quintiliano Limited	Cyprus	Holding company	100	100
Quotex Limited	Cyprus	Holding company	100	100 [1]
Ratado Holding Limited	Cyprus	Holding company	100 [2]	100 [2]
Sabaton Holdings Limited	Cyprus	Holding company	100	100
Sharezone Capital Limited	Cyprus	Holding company	100 [1]	100 [1]
Stoneface Limited	Cyprus	Holding company	100	100
Taavo Enterprises Limited	Cyprus	Holding company	85	85
Thabit Holdings Limited	Cyprus	Holding company	100	100
Theochristel Limited	Cyprus	Holding company	100	100
Vielle Limited	Cyprus	Holding company	100	100
Vivaldi Holdings Limited	Cayman Islands	Holding company	100 [1]	100 [1]
Wakovia Limited	Cyprus	Holding company	100 [1]	100 [1]
Wizgate Holding Limited	Cyprus	Holding company	100 [1]	100 [1]
Starglance Limited (former Balaton Holding S.à r.l.)	Cyprus	Financing company	100 [1]	100 [1]
Belegar Limited	Cyprus	Financing company	100 [1]	100 [1]
Chainlord Limited (former Vardarac S.à.r.l.)	Cyprus	Financing company	50.5 [1]	50.5 [1]
Goldflavour Limited	Cyprus	Financing company	100 [1]	100 [1]
Eagleman Limited	Cyprus	Financing company	100	100
Fundin Investments Limited	Cyprus	Financing company	100	100
Kinevart Investments Limited	Cyprus	Financing company	100 [1]	100 [1]
Lermondo Limited	Cyprus	Financing company	100 [1]	100 [1]
Lomnia Services Limited	Cyprus	Financing company	100 [1]	100 [1]
Moonshard Limited (former Margo S.à r.l.)	Cyprus	Financing company	50.52 [1]	50.52 [1]
Mistmoores Holding Limited (former Silver City Finance S.à r.l.)	Cyprus	Financing company	100 [1]	100 [1]
Nokana Limited	Cyprus	Financing company	100 [1]	100 [1]
O1 Properties Finance Plc (former Pareso Limited)	Cyprus	Financing company	100	100
Silverflair Limited	Cyprus	Financing company	100 [1]	100 [1]
Vivaldi Plaza Finance S.à r.l.	Luxembourg	Financing company	100 [1]	100 [1]
Wallasey Limited	Cyprus	Financing company	100 [1]	100 [1]
City-Developer LLC	Russian Federation	Management company	100	100
O1 Standard JSC (former Nash Standart CJSC) (Note 31)	Russian Federation	Management company	-	100
O1 Advisory LTD	Cyprus	Management company	100	100
O1 Properties Management CJSC	Russian Federation	Management company	100	100
Annabeth Services Limited	Cyprus	Inactive	85	85
Barkmere Limited	Cyprus	Inactive	100	100
Briz Limited	Russian Federation	Inactive	100	-
LLC "FENIX"	Russian Federation	Inactive	100	-
Gardin Limited	Cyprus	Holding company	100	100
Genovius Ltd	Cyprus	Inactive	100	-
Nikkon Global Ltd	British Virgin Islands	Inactive	100	100
Pieva Limited	Cyprus	Inactive	100	100
Raincloud Trading Limited	Cyprus	Inactive	100	100
Simeona Limited	Cyprus	Inactive	100	100
Somertal Ltd	Cyprus	Inactive	100	-
Starye serebryaniki JSC	Russian Federation	Inactive	100	100
Amneris Limited	Cyprus	Inactive	50.5	-

1 Pledged in relation to borrowings (Note 15).

2 Refer to Note 26 for the information on pledge of shares in Ratado Holding Limited.

Refer to Note 31 for the information on acquisitions and disposals by the Group during 2019 and 2018.

2 Operating Environment of the Group

The Group through its operations has a significant exposure to the economic, legal and tax conditions in the Russian Federation and in Cyprus. The management of the Group constantly monitors the developments in the operating environment of the Group in order to estimate the full impact that these developments may have on the business of the Group.

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Russian Federation and the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

Management of the Group has considered the unique circumstances and the risk exposures of the Group while the disruption is currently expected to be temporary, economic uncertainties have arisen whose impact is expected to evolve. The event is not expected to have an immediate material impact on the business operations. However Management will continue to monitor the situation closely and will assess the need for additional actions in case the period of disruption becomes prolonged. At the same time the Group's management is in the process of reassessing their cash flows model using revised assumptions and incorporating downside scenarios in assessing actual and potential financing needs, taking into consideration the potential impacts identified above (Note3).

Russian Federation. Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political, social, legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. Refer to Note 26. The future of economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory and political environment.

Given that Russia produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to the prices of oil and gas on the world market. Following high volatility in natural resources prices, the Russian Rouble (“RR”) exchange rate and interest rates in 2019 and 2018 have been relatively stable. However in early 2020 oil prices dropped significantly and this resulted in immediate weakening of RR against major currencies.

The Russian economy continued to be negatively impacted by ongoing political tension in the region and continuing international sanctions imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

There has continued to be increased economic challenges to the Russian consumers and corporates, which have led to higher defaults in the retail and commercial banking sector. This operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could significantly differ from actual results.

As a result during 2019:

- the Central Bank of the Russian Federation (“CBRF”) exchange rate was RR 69.4706 and RR 61.9057 per USD as of 1 January 2019 and 31 December 2019 respectively and varied between 61.7164 and 69.4706 during the year ended 31 December 2019;
- the CBRF key refinancing interest rate decreased from 7.75% p.a. to 6.25% p.a.;

2 Operating Environment of the Group (Continued)

- bank lending activity decreased as banks continued to reassess the business models of their borrowers and their ability to withstand the increased volatility of exchange rates;
- in 2019, Fitch Ratings upgraded Russia's credit rating to BBB from BBB-. Moody's Investors Service stated credit rating at Baa3. Standard & Poor's stated Russia's credit rating at the investment grade BBB- and with "positive" outlook and kept Russia's sovereign rating at the investment grade. Fitch Ratings kept the outlook "stable" and kept Russia's sovereign rating at the investment grade. Moody's Investors Service kept the outlook for the future "stable";
- access to international financial markets to raise funding was limited for certain entities.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Subsequent to 31 December 2019:

- the CBRF exchange rate fluctuated between RR 60.9474 per USD and RR 80.8815 per USD;
- the CBRF key refinancing interest rate decreased from 6.25% p.a. to 5.5% p.a.;
- in April 2020, Moody's Investors Service downgraded the credit rating of the Company to Caa3 kept the outlook for the future "stable". Standard & Poor's downgraded the credit rating to D from CCC. Rating outlook is "negative".

Whilst a significant percentage of the Group's rental income is denominated in US dollars, the tenants are operating in Russia and earning a significant proportion of their income in Russian Roubles.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group's operations may differ from management's current expectations.

Cyprus. The Cyprus Government exited its economic adjustment programme in March 2016 and began to record significant economic growth due to the government's fiscal consolidation efforts. Cyprus enjoyed a remarkable post crisis rebound. While remaining strong, economic growth is gradually decelerating. In 2019 real GDP increased by 3.2%, following an increase of 4.1% in 2018.

In early 2020, Cyprus was still on a robust growth path. However, the global outbreak of Covid-19 and the related containment measures are expected to negatively affect GDP growth and the surplus of the primary balance.

The sovereign risk ratings of the Cyprus Government improved considerably in recent years. In October 2018 Fitch Ratings upgraded its Long-Term Issuer Default ratings for Cyprus to investment grade (BBB-) with a stable outlook with a change in October 2019 to a positive outlook. In April 2020 the outlook was changed back to stable outlook. In September 2018, S&P Global Ratings also upgraded Cyprus to investment grade (BBB-) with stable outlook. In July 2018 Moody's Investors Service upgraded Cyprus' sovereign rating to Ba2 from Ba3 with a stable outlook with a change in October 2019 to a positive outlook. The improvement in the ratings since the crisis in 2013 reflects the government's fiscal consolidation efforts, the generation of primary fiscal surpluses, a gradual stabilisation in the banking sector and the successful implementation of the economic adjustment programme.

The unemployment rate decreased to 7.7% in the second half of 2019 from 8.4% in 2018 with a further decrease to 6.7% in the first half of 2020.

Inflation remained low at 0.5% in 2019 compared to 0.8% in 2018. Overall, inflation is expected to be around 0% in 2020 and 1% in 2021(Post-Programme Surveillance Report Cyprus, Spring 2020).

Also, the Cyprus government took additional steps for strengthening of foreclosure and insolvency framework as well as the securitisation on non-performing loans. These steps aim to the decrease of non- performing loans' index. Following the sizable reduction in NPLs in the banking sector in 2018, progress has slowed throughout 2019. Prior to the Covid-19 outbreak, non-performing loans were expected to decline significantly in 2020 due to sizeable portfolio sales. However, the final negotiations are delayed due to the current environment.

3 Basis of Preparation and Summary of Significant Accounting Policies

Public debt remains a challenge after rising to 100.6% of GDP in 2018 due to the public support to the banking sector. In 2019 the public debt fell to 95.5% of GDP. Looking forward to 2020, the outlook is severely affected by the COVID-19 outbreak. The public debt is expected to increase to 115.75% in 2020. In 2021, the deficit is expected to decline on the back of the expected recovery and the reversal of crisis measures. (Post-Programme Surveillance Report Cyprus, Spring 2020).

The Group's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

To the extent that information is available, the Group's management believes it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment and that the Group will be able to continue as a going concern.

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, under the historical cost convention as modified to include the fair value of premises, investment property, investments in Funds and derivative financial instruments.

Going concern basis. The Group incurred a loss of USD 272 306 thousand for the year ended 31 December 2019 (31 December 2018: USD 480 201 thousand) and as of that date, the Group's current liabilities exceeded its current assets by USD 343 229 thousand (31 December 2018: USD 574 303 thousand). In addition, the Group is highly leverage with equity levels that have been deteriorating over the last years.

The economic environment and conditions as those emerged from the pandemic of COVID-19, the volatility of oil prices and the sharp depreciation of the Russian Ruble are expected to negatively affect the Russian economy and elevate the level of uncertainty in relation to the Group's operations. Tenants are experiencing difficulties in complying with their rent obligations as they fall due. As a result, Management expects a decrease in its short term cash flows and liquidity. These conditions are expected to impact the ability of the Group to meet its own obligations as they fall due. In addition, if the effect of the above economic conditions are significant and prolonged the resulted profitability impact could affect loan covenants associated with Debt Service Cover Ratios and/or Loan to Value ratios. However it is not possible at this stage to estimate the magnitude of this impact.

In March 2020 the Group was in breach of its six months coupon payment in the amount of USD 14.5 million in respect of the Eurobonds, issued by a subsidiary of the Group and guaranteed by the Company, (the "Bonds"). This breach constitutes an event of default and as a result, the Bond holders have the right to request immediate repayment of the principal amount of USD 350 million together with accrued interest. The issuer and the Company as guarantor are committed to resolving the above situation to the satisfaction of all parties involved. In this respect a consent solicitation through the submission of a restructuring proposal in the immediate future will be pursued. Following the submission of the restructuring proposal the Management intends to enter into discussions with the Bond holders, however the outcome of these discussions cannot be predicted with sufficient level of certainty.

Notwithstanding the above, Management is confident that it can successfully manage the risks associated with the above conditions. Subject to the uncertainties underpinning current circumstances and future estimates, Management is deriving its confidence from the following mitigating factors and assumptions as described below:

- As of 31 December 2019 the Group has a recognised liability for the amount of USD 190 786 thousand in relation to a guarantee given by the Group for borrowings of O1 Group Limited (Cyprus), a company controlled by the previous ultimate controlling shareholder. Maturity of the guaranteed debt was in April 2020 and therefore the above liability is presented as current. At the date of signing of these financial statements Management had reached an agreement in principle with the principal lender to extend the maturity for three years. Completion of all required agreements for the above extension is expected in one month from today (Note 17).

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

- As further explained in Note 16, the Group recognized as current liabilities, financial guarantees for the amount of USD 36 064 thousand. Based on discussions with the relevant stakeholders, management expects that the above amount will not become payable in the next 12 months.
- The Group has recognized a provision in the amount of USD 35 958 thousand in relation to probable obligations as a result of legal proceedings affecting the subsidiary company Semela Limited (Note 1 and 16). It is not expected that there will be a cash outflow in the next 12 months in relation to the above-recognized liability.
- An amount of USD 49 822 thousand within current liabilities relates to deferred income representing advance payments received from tenants and non-cash liabilities which resulted from discounting of tenant deposits in accordance with IFRS requirements. Therefore, the above amounts will not require a cash outflow from the Group.
- Current liabilities include a loan payable of USD20 million which is expected to be extended when it expires in June 2020.
- As a result of COVID 19 the Group expects that most of the impact in cash flows and revenue from tenants is likely to come from retail tenants, which however represent only 7% of its total revenue. The impact in cash flows and revenues from the remaining part of its property portfolio is not expected to be significant.
- The Group management initiated discussions with main banks and as of the date of signing of these financial statements it has successfully agreed to postpone or partially postpone 2 quarterly debt service payments. Based on its ongoing discussions with the main banks, Management believes that if further deferrals are required, those will be provided by its banks.
- As of the date hereof, the Group has not received any notification of claim from the Bond trustee requesting that all outstanding amounts under the Bond are immediately repaid in full. As noted above, Management has already engaged professional experts to advise on the preparation of an appropriately structured proposal taking into account current market conditions and prevailing rates to be submitted to the Bond holders. Management believes that following a constructive discussion which is expected to take place in due course a consensus would be reached resulting in the current default position of the Group being rectified to the satisfaction of all parties involved.
- Further to the above, it is noted that the Group has a history of successful debt restructurings including a restructuring of USD485 million of Russian Ruble denominated bonds concluded in March 2018. Under the restructured terms maturity of the above bonds was extended for 3-4 years and coupon interest was reduced from 6-7% to 2-2.2% (refer to Note 15).

Management believes that the timing and realisation of the above assumptions are reasonable and reflect their assessment of the most likely outcome. However the potential outcome of the above are note wholly within Management's control and as a result the events and conditions discussed above indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Management is closely monitoring the forecasted yields and market conditions of the property market in Russia (as described in Note 2) and projects continued profitability and positive operating cash inflows for the Group. Cash flow forecasts for the next 12 months from date of approval of these financial statements prepared by Management, on the basis of the above assumptions, indicates that the Group, will have sufficient cash inflows to meet its debts as and when they fall due. This assumes that there will be no adverse consequences in relation to the default on the Eurobonds as explained above and that the Group will be in a position to agree further bank repayment deferrals if the magnitude and duration of the current economic environment will have a worse impact than presently estimated.

For the reasons stated above, the Group's consolidated financial statements have been prepared on a going concern basis. Therefore, the financial statements do not include any adjustments relating to the recovery of assets recorded and the amount and classification of liabilities or any other adjustments that would have been necessary should the Company and the Group were unable to continue as a going concern.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Functional currency. The individual financial statements of each of the companies within the Group are prepared in the currency of the primary economic environment in which they operate (functional currency). The functional currency of the Company is the US Dollar ("USD"). The functional currency of the property holding companies is RR. Refer to Note 4.

Presentation currency. All amounts in these consolidated financial statements are presented in thousands of USD.

At 31 December 2019 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 61.9057 (31 December 2018: USD 1 = RR 69.4706) and the average exchange rate calculated on daily basis used for translating income and expenses was USD 1 = RR 64.7362 (2018: USD 1 = RR 62.7078).

Leases. The Group as lessee. The Group lease contracts in which the Group is lessee are contracts with government for land lease on which investment properties are located, therefore policies described below relates to land leases.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within Borrowings in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. The right-of-use assets meets definition of investment property and therefore subsequently measured at fair value through profit or loss, in accordance with Group accounting policies.

The right-of-use assets are presented within Investment Property in the consolidated statement of financial position.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

Leases.The Group as lessor. The Group enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the Group is a lessor are classified as operating leases as the terms of the lease does not transfer substantially all the risks and rewards of ownership to the lessee.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

If a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have the practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than a majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries that meet the definition of a business. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Any negative amount ("negative goodwill, bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred to the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition of a business are expensed.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill or deferred taxes.

Investment in jointly controlled entities. Under IFRS 11 "Joint Arrangements" investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interests. Any difference between the purchase consideration and the carrying amount of non-controlling interests acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interests sold as a capital transaction in the consolidated statement of changes in equity.

Disposals of subsidiaries, jointly controlled entities and associates. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the difference in carrying amount recognised in profit or loss. The fair value of any retained interest in the entity is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination) if any, are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating the interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Classification of financial assets. The Group classifies its financial assets into the following measurement models: amortised cost, fair value through profit or loss, fair value through other comprehensive income.

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Loans issued. Loans are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. After initial recognition loans and receivables are measured at amortised cost using the effective interest method.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Impairment of financial assets. The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables,cash at bank,other trade receivables and bank deposits, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward‑looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due (depending on type and nature of financial asset), unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due (depending on type and nature of financial asset) unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For the purposes of calculation of loss allowance for expected credit losses the Group uses public data on external credit rating of the counterparty and, in case of absence of such information, internal credit rating assigned using internally developed methodology. Credit rating represents ability of the counterparty to repay debt or service contractual cash flows timely and cover outstanding amount in case of default based on the assessment of financial performance of the counterparty. The internal credit rating methodology allows to assign internal credit rating and determine probability of default and losses in case of default for the counterparties based on the external historical statistics on frequency of defaults and losses for the companies and financial instruments with similar quantitative and qualitative characteristics. Among other factors following indicators of the counterparty are taken into account in order to determine internal credit rating:

- Long Term and Short Term Assets
- Equity
- Long Term and Short Term Liabilities
- Revenue
- EBITDA
- Interest Expenses

In order to determine probability of default of the particular financial instrument the following characteristics of the instrument are considered:

- maturity

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

- direct or indirect security/collateral provided
- nature of the instrument.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the amount determined in accordance with the expected credit loss model under IFRS 9.

Classification of financial liabilities. The Group classifies its financial liabilities except for derivatives into financial liabilities carried at amortised cost. Modification to the terms of a financial liabilities is substantial if the net present value of the cash flow under the modified terms, including any fees paid net of any fees received, is at least 10 % different from the net present value of the remaining cash flows of the liability prior to modification, both discounted at the original effective interest rate. A gain or loss in case of such modifications are recognised throught profit or loss for the period.

Initial recognition of financial instruments. All financial instruments carried at amortised cost are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. In all other cases the gain/loss is deferred.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instruments.

The Group uses discounted cash flow valuation techniques to determine the fair value of derivative financial instruments, loans to and from related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight line basis over the term of the derivative financial instruments, loans to and from related parties.

The changes in the fair value of derivatives are recognised immediately in the profit or loss as finance income or finance cost.

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Derecognition of financial liabilities. The Group derecognises a financial liability or part of a financial liability when the obligation specified in the contract is discharged or cancelled or expires.

The Company has accounted for all modifications that resulted in a change in the currency denomination of the loan as extinguishments of financial liabilities.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Derivative financial instruments. Derivatives are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Property, plant and equipment. Property, plant and equipment is stated at cost or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required. Cost of property, plant and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

Premises are subject to revaluation on a regular basis to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation of buildings are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit and loss for the year.

The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised either on the retirement or disposal of the asset.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss as other operating income or other operating expenses.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Premises	50
Computer equipment	5
Office equipment	10

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property. Investment property is the property held by the Group (or by the lessee as a right of use asset) to earn rental income or for capital appreciation and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Owned investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price that would be received from the sale of the asset in an orderly transaction, without deduction of any transaction cost. The best evidence of fair value is given by current prices in an active market for the similar property in the same location and condition. In the absence of current prices in an active market, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and

(d) sale proposals from the market players.

The market value of the Group's investment property is determined based on reports of independent appraisers, who hold recognised and relevant professional qualifications and who have recent experience in valuation of property of similar location and category.

Investment property that is being developed or redeveloped for continuing use as investment property continues to be measured at fair value.

Net gains from fair value adjustment on investment property are recorded in the consolidated statement of profit or loss. Gains or losses on disposal of investment property are calculated as proceeds less carrying amount.

Subsequent expenditure (other than fit-out compensations to the Group's tenants which is recorded as reduction of rental revenues on a straight-line basis over the total rent period) is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Investment property also includes leasehold land held under an lease, which is accounted for as a right of use asset in accordance with IFRS 16. Each lease payment on the leasehold land is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in lease liability on leasehold land. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Transfers to or from investment property are made when there is a change in use, evidenced by:

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

(a) commencement of owner occupation for a transfer from investment property to property, plant and equipment;

(b) commencement of development with a view to sale for transfer of investment property to inventories;

(c) end of owner occupation for a transfer from property, plant and equipment to investment property; and

(d) commencement of operating lease to another party, for a transfer from inventories to investment property.

Residential property under construction. Residential property under construction is accounted for at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete and selling expenses. Cost of residential property under construction is determined using the special identification method and includes the cost of acquisition, and construction and borrowing costs during construction. When construction is completed borrowing costs and other holding charges are expensed as incurred.

A normal operating cycle required for a construction project may exceed twelve months. Residential property under construction is classified as current assets even when it is not expected to be realised within twelve months after the reporting date.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are recognised in profit or loss when the goods or services relating to the prepayments are received.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis.

Input VAT from goods or services received and VAT receivable from tax authorities are presented as VAT receivable in the consolidated statement of financial position. Payables to tax authorities for VAT are shown as part of trade and other payables.

Where a provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method.

Cash and cash equivalents. Cash and cash equivalents include cash in hand and balances with banks with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Cash and cash equivalents are subject to the impairment requirements of IFRS 9.

Restricted balances are excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flow.

Assets held for sale. Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on premeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

The Group measures a non-current asset that has been ceased to be classified as held for sale at the lowest of:

- its carrying amount before the asset was classified as held for sale, adjusted for depreciation or revaluation amounts that would be recognized if the asset were not classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustments to the carrying amount of a non-current asset whose classification as held for sale has been discontinued in profit or loss from continuing operations for a period in which the classification criteria are no longer satisfied.

Borrowings. Borrowings are carried at amortised cost using the effective interest method.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale. The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group or where the Group is a lessee in an operating lease, which is classified as investment property, the assets leased are capitalised in investment property at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to the profit or loss over the lease period using the effective interest method. This policy was relevant for 2018 year.

Tenant deposits. Tenant deposits represent advances made by lessees as guarantees during the lease period and are repayable by the Group upon termination of lease contracts. Tenant deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method. Any difference between the amount at initial recognition and the redemption amount is treated as deferred revenue and amortised on a straight line basis over the period of the lease. The tenant deposit is subsequently measured at amortised cost and the interest expense is recorded over the period of the lease term within finance costs.

Income tax. Income tax has been provided for in the consolidated financial statements in accordance with tax legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised directly in other comprehensive income or directly in equity because it relates to transactions that are recognised, in the same or a different period, directly in other comprehensive income or directly in equity.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within general and administrative expenses and operating expenses of investment property.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax losses will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax losses are recorded only to the extent that it is probable that future taxable profits will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, joint venture and associates, except where the Group controls the investee's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and reduced to extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgements based on expected performance and tax planning strategies.

Property tax. Property tax has been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The property tax charge is recognised in operating expenses. The tax base of the properties is their cadastral value.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities, regardless of whether an examnation is likely to take place.

The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of reporting period and any known Court or other rulings on such issues.

Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of reporting period.

Trade and other payables. Trade and other payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost, using the effective interest method.

Provisions. Provision for legal claims and guarantees obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be requires in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of the time is recognized as interest expense.

Share capital and share premium. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium represents the excess of contribution received over the nominal value of shares issued. Share premium is not available for distribution by way of dividends.

Preference shares are classified as equity if, and only if, both conditions (a) and (b) below are met: (a) the shares include no contractual obligation (i) to deliver cash or another financial asset to another entity, or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer, and (b) the shares will or may be settled in the issuer's own equity instruments and the shares are (i) non-derivatives that include no contractual obligation for the issuer to deliver a variable number of its own equity instruments, or (ii) derivatives that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Shares of the Company not paid and subject to approval of Shareholders and Board of Directors can be cancelled at any time.

Dividends. Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Revenue recognition. The Group's key sources of income include: rental income and revenue from services to tenants, revenue from the sale of apartments. Revenue is shown net of value added tax, returns, rebates and discounts.

i) *Rental income.* The Group earns revenue from acting as a lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. Rental revenue received in advance is recognised as deferred rental income in the consolidated statement of financial position.

The Group has lease agreements with tenants that are mostly denominated in USD and RR. The lease payments are settled in RR using the official exchange rate fixed by CBR on the date of payment. In certain cases the Group has signed addendums to the lease agreements that either (1) fix the exchange rate to be used to settle the due payment or (2) agree on a cap and collar for the exchange rates to be used to settle the due payment, the top and bottom end of which are applied when the current exchange rates fall out of this range on the payment date.

The Group treats the reduced payments received arising from the above mentioned caps as discounts and recognises them on a straight line basis over the remaining lease term. The Group does not recognise an embedded derivative for the above exchange rate fixations, because the Group assesses effect from recognition to be not material.

3 Basis of Preparation and Summary of Significant Accounting Policies (Continued)

ii) *Revenue from services to tenants.* For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including management of properties, utility, cleaning, security and other support services. The consideration charged to tenants for these services includes fees charged based on a percentage of the net rental income and reimbursement of certain expenses incurred. Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis. Revenue from services to tenants are presented together with rental income.

iii) *Revenue from the sale of apartments.* A sale of apartments is a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers, there is no continuing managerial involvement to the degree usually associated with ownership nor effective control.

Operating expenses of investment property. The operating expenses associated with investment properties are charged to the profit or loss as incurred. These expenses include only expenses that directly refer to investment property which generated rental income during the year.

Interest income and expenses. Interest income and expenses are recorded using the effective interest method.

Other income and expenses. All other income and expense items are generally recorded on an accruals basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid and unpaid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group and are included in general and administrative expenses. Group companies do not operate their own pension schemes.

Foreign currency translation. Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities are translated into each entity’s functional currency at the official exchange rate of the Central Bank of the Russian Federation at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into functional currency at period-end official exchange rates are recognised in the profit and loss as foreign exchange differences.

Translation at period-end rates does not apply to non-monetary items, which are translated at the exchange rate at the date of the transaction. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Translation from functional to presentation currency. The results and financial position of each Group entity are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate at the end of the respective reporting period; income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(ii) components of equity are translated at the historical rate; and

(iii) all resulting exchange differences are recognised separately in other comprehensive income.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

In preparing these consolidated financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Deferred tax. Deferred tax assets are reviewed at each reporting date and reduced to extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes estimates based on expected performance and tax planning strategies.

Calculation of loss allowance. When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 24.

Valuation of investment properties. Refer to Note 27.

Tax, currency and customs legislation. Russian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 26.

Principal versus agent considerations – services to tenants. The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services. Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and at the same time, consume the benefits from these services.

5 Adoption of New and Revised Standards and Interpretations

New and amended IFRS Standards that are effective for the current year

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

IFRS 16 Leases. In the current year, the Group, for the first time, has applied IFRS 16 Leases. The date of initial application of IFRS 16 for the Group is 1 January 2019. Refer to Notes 7 and 15.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requires and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

5 Adoption of New and Revised Standards and Interpretations (Continued)

Impact of the new definition of a lease. The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting. Long-term leasehold land of the Group held under an operating lease, was already accounted for as a finance lease in accordance with IAS 40 "Investment Property" and IAS 17 "Leases. Based on these facts the Group concluded that new requirements of the standard have no material impact on its financial statements.

The company applied practical expedient C9(B) of IFRS16 which allows not to make adjustments on transition for leases previously accounted for as investment property using the fair value model in IAS 40 Investment Property.

Impact on Lessor Accounting. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The major change is that under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of- use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). As the Group has no subleases, IFRS 16 did not have an impact for leases where the Group is the lessor.

Based on its preliminary assessment, the Group does not believe that the new requirements of the standard would have had a material impact on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

5 Adoption of New and Revised Standards and Interpretations (Continued)

The Group examined the effect of the interpretation on the consolidated financial statements of the Group and concluded that there is no impact on its consolidated financial statements additional to amounts and disclosures, included in Note 16.

During the year ended 31 December 2019 the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Group except as mentioned above.

- IFRS 9 (Amendments) “Prepayment Features with Negative Compensation”.
- IAS 19 (Amendments) “Plan Amendment, Curtailment or Settlement”.
- IAS 28 (Amendments) “Long-term Interest in Associates and Joint Ventures”.
- Annual Improvements to IFRSs 2015-2017 Cycle.

At the date of approval of this consolidaded financial statement the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

Adopted by the European Union

- IAS 1 and IAS 8 (Amendments) “Definition of material” (effective for annual periods beginning on or after 1 January 2020).
- “Amendments to References to the Conceptual Framework in IFRS Standards” (effective for annual periods beginning on or after 1 January 2020).
- IFRS 3 (Amendments) “Business Combinations” (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020)

Not adopted by the European Union

- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023).
- IFRS 1 First-time Adoption of International Financial Reporting Standards “Amendments resulting from Annual Improvements to IFRS Standards 2018–2020” (effective for annual periods beginning on or after 1 January 2022).
- IFRS 3 Business Combinations “Amendments updating a reference to the Conceptual Framework” (effective for annual periods beginning on or after 1 January 2022).
- IFRS 9 Financial Instruments “Amendments resulting from Annual Improvements to IFRS Standards 2018–2020” (effective for annual periods beginning on or after 1 January 2022).
- IFRS 16 Leases “Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification” (effective for annual periods beginning on or after 1 June 2020).
- IAS 16 Property, Plant and Equipment “Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use” (effective for annual periods beginning on or after 1 January 2022).
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets “Amendments regarding the costs to include when assessing whether a contract is onerous” (effective for annual periods beginning on or after 1 January 2022).
- IAS 41 Agriculture “Amendments resulting from Annual Improvements to IFRS Standards 2018–2020” (effective for annual periods beginning on or after 1 January 2020).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Group.

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of US Dollars	Premises	Computers	Office equipment	Total
Cost/valuation at 1 January 2018	23 630	396	1 248	25 274
Accumulated depreciation	(2 596)	(347)	(643)	(3 586)
Carrying amount at 1 January 2018	**21 034**	**49**	**605**	**21 688**
Additions	-	17	-	16
Revaluation gain (recorded in other comprehensive income)	3 815	-	-	3 815
Depreciation charge (Note 21)	(425)	(23)	(102)	(550)
Transfer from investment property (Note 7)	1 609	-	-	1 609
Disposals	-	-	(339)	(339)
Effect of translation to presentation currency	(4 081)	(5)	(112)	(4 198)
Carrying amount at 31 December 2018	**21 952**	**38**	**52**	**22 042**
Cost/valuation at 31 December 2018	24 536	306	494	25 336
Accumulated depreciation	(2 584)	(268)	(442)	(3 294)
Carrying amount at 31 December 2018	**21 952**	**38**	**52**	**22 042**
Additions	-	31	242	273
Revaluation loss (recorded in other comprehensive income)	(3 225)	-	-	(3 225)
Depreciation charge (Note 21)	(525)	(103)	(73)	(701)
Transfer from investment property (Note 7)	-	-	-	-
Disposals	-	-	(8)	(8)
Effect of translation to presentation currency	2 511	152	(47)	2 616
Carrying amount at 31 December 2019	**20 713**	**118**	**166**	**20 997**
Cost/valuation at 31 December 2019	23 679	320	715	24 714
Accumulated depreciation	(2 965)	(203)	(549)	(3 717)
Carrying amount at 31 December 2019	**20 713**	**118**	**166**	**20 997**

Premises represent the area occupied by the Group in Lighthouse building (Note 7).

At 31 December 2019 and 2018 the fair value of the premises was based on a report issued by the independent firm of valuers CB Richard Ellis. The basis used for the valuation was the income approach using the discounted cash flow technique. (Refer to Note 27).

At 31 December 2019 property revaluation reserve was USD 15 485 thousand (2018: USD 18 065 thousand).

At 31 December 2019 premises with carrying value of USD 20 713 thousand (2018: USD 21 952 thousand) were pledged as collateral with respect to borrowings (Note 15).

At 31 December 2019 the carrying amount that would have been recognized had the assets been carried under the cost model is USD 12 000 thousand (31 December 2018: USD 11 623 thousand).

7 Investment Property

In thousands of US Dollars	Note	2019	2018
Total investment property at 1 January		**3 207 953**	**3 601 187**
Increase in land lease		928	3 541
Subsequent expenditure		2 146	1 358
Transfer to property, plant and equipment	6	-	(1 609)
Disposal of investment property	31	-	(122 303)
Fair value adjustment		(468 752)	363 233
Effect of translation to presentation currency		370 754	(637 454)
Total investment property at 31 December		**3 113 029**	**3 207 953**

The investment property represents land and office buildings located in Moscow, Russia. Land is leased from the Moscow City Authorities under renewable leases (from 1 to 48 years). Under the relevant Russian legislation and the lease contract the owner of the building has priority right to lease and renew the lease of the land on which the building is located. The lease rates are indexed annually.

Carrying amounts of the Group's right-of-use assets and the movements during the year:

As at 1 January 2019	**23 000**
FV adjustment	353
Increase in land lease	928
Effect of translation to presentation currency	1 873
As at 31 December 2019	**26 154**

7 Investment Property (Continued)

Investment property comprises the following premises intended for use as Class A, Class B+ and Class B office accommodation:

Property name	Note	31 December 2019 Net rentable area (square meters)	31 December 2019 Amount (in thousands of US Dollars)	31 December 2018 Net rentable area (square meters)	31 December 2018 Amount (in thousands of US Dollars)
WHITE SQUARE - Lesnaya Str., 5, Butyrsky Val Str., 10		76 440	761 900	76 407	790 400
LeFORT - Elektrozavodskaya Str., 27, bldg. 1, 1A, 2, 3, 3A, 3D, 4-11		55 114	153 200	55 458	165 900
KRUGOZOR - Obrucheva Str., 30/1, bldg. 1-3		51 004	215 800	50 979	222 100
VIVALDI PLAZA - Letnikovskaya Str., 2, bldg. 1-3		48 202	352 000	48 202	361 100
SILVER CITY - Serebryanicheskaya Emb., 29		41 909	235 900	41 909	244 700
LEGENDA TSVETNOGO - Tsvetnoy Boulevard, 2		40 111	321 000	40 148	331 800
WHITE STONE (formerly "LESNAYA PLAZA) - 4th Lesnoy Lane, bldg. 4		39 697	222 500	39 697	219 700
STANISLAVSKY FACTORY - Stanislavskogo Str. 21, bldg. 1-3, 5, 16-20		34 568	192 300	34 568	209 600
DUCAT III - Gasheka Str., 6		33 558	303 800	33 559	313 200
LIGHTHOUSE - Valovaya Str., 26		27 426	207 300	27 426	219 700
ICUBE - Nakhimovsky Prospect, 58		19 177	84 100	19 177	80 100
NEVIS - 61/2, Schepkina street, building 12		10 988	38 700	10 988	36 900
GREENDALE - Oktyabrskaya Str., 98		under development	19 790	under development	17 420
KUTUZOV - Vasilisy Kozhinoy Str., 25		under development	5 800	under development	6 600
Total fair value of property per valuation reports		**478 194**	**3 114 090**	**478 518**	**3 219 220**
Less: Reclassification of owner occupied premises in LIGHTHOUSE	6		(20 713)		(21 952)
Total investment property at fair value			**3 093 377**		**3 197 268**
Add:Land lease accounted for separately	15		26 154		23 000
Less: Straight line adjustment on rental income accounted for separately within trade and other receivables	12		(6 502)		(12 316)
Total carrying value of investment property			**3 113 029**		**3 207 952**

At 31 December 2019 and 2018 the fair value of investment property was based on a report issued by the independent firm of valuers CB Richard Ellis. The basis used for the valuation was the income approach using the discounted cash flow technique. Nevis valuation has been carried out using the sales comparison approach, which involves comparison of the subject property with market evidence from other comparable office centers within the local market and making sensitivity adjustments, using valuer's professional judgement.

The critical assumptions used in the valuation are disclosed in Note 27. The pledges on investment properties are disclosed in Note 26.

7 Investment Property (Continued)

IAS 40 requires the fair value of investment property to exclude prepaid lease income because the entity recognises it as a separate liability. The Group already considered the prepaid lease income in determining the fair value of investment property and thus no additional adjustment for deferred rental income is required to arrive to the carrying value of investment property.

The minimum future rental income of the Group under non-cancellable operating leases was as follows:

In thousands of US Dollars	**31 December 2019**	**31 December 2018**
- not later than one year	270 629	269 975
- later than 1 year and not later than 5 years	644 489	660 740
- later than 5 years	44 029	58 994
Total future rental income	**959 148**	**989 709**

8 Investments in Joint Venture

In 2018 investment in joint venture represented 50% +1 share interest in a group of companies involved in construction of Bolshevik property. Movements in the Group's investment in joint venture were as follows:

In thousands of US Dollars	**2019**	**2018**
Total investment in joint venture at 1 January	**-**	**-**
Share of result of joint venture	-	10 763
Share of other comprehensive income of joint venture	-	75
Excess of share of losses allocated to loans receivable from joint venture	-	(10 763)
Disposal of joint venture (Note 31)	-	(75)
Total investment in joint venture at 31 December	**-**	**-**

Solorita Holding Limited, Bayroad Group Limited and their subsidiaries are involved in the construction of the Bolshevik property in Moscow. The main financing and operating decisions of Bayroad Group Limited and Solorita Holding Limited require unilateral approval of the shareholders. As 31 Desember 2018 Investment of the Group in Bayroad Group Limited and Solorita Holding Limited was classified as joint venture (jointly controlled entity) and accounted for using the equity method of accounting.

Refer to Note 31 for the information on disposal of joint venture.

9 Other Investments

Other investments (Level 1) represent the investment units in closed-end mutual unit Investment Funds, the ownership title to which was transferred to the Group in December 2018. The Group decided to recognize the investment in Funds at fair value through profit or loss. The payable for units acquisition was set-off against the overdue loan receivable.

10 Loans Issued

In thousands of US Dollars	31 December 2019	31 December 2018
Loans issued - due in more than 12 months	237 203	219 498
Loans issued - current portion	45 480	7 998
Total loans issued	**282 683**	**227 496**
Loans issued to related parties (Note 29)	42 124	-
Loans issued to other companies	240 559	227 496
Total loans issued	**282 683**	**227 496**

At 31 December 2019 the Group had one unrelated counterparty (31 December 2018: one counterparty) with balances of loans issued above 10% of the aggregate balances of loans issued. This counterparty did not have credit rating provided by external agency. Aggregate balances of loans issued to the above counterparty as at 31 December 2019 were not secured, bore fixed interest at rates from 4% to 9% per annum and amounted to USD 218 050 thousand (31 December 2018: USD 218 072 thousand).

At 31 December 2019 and 31 December 2018 loans other than described above were not secured, were denominated in USD, EUR and RR, had maturity dates from 3 April 2020 to 15 December 2025 (31 December 2018: 01 February 2019 to 31 December 2021) and weighted average rate as at 31.12.2019 is 4.82%.

In April 2019 Riverstretch Trading & Investments Limited and the Company signed a “Funded Participation Agreement” according to which the Company funded its parent company’s participation in a syndicated loan facility guaranteed by the Company and fully provided in its financial statements. The total amount of the parent’s participation which has been assigned in favour of the Company, is USD 53 million. The Company’s share in the above participation which is included in current loans issued amounts to USD 43 million. Loan balance bears no interest and is repayable on demand.

At 31 December 2019 the loss allowance per IFRS 9 relating to the loans issued was USD 141 223 thousand with corresponding charge in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of USD 34 669 thousand for the period then ended (31 December 2018: USD 106 554 thousand and USD 102 884 thousand respectively) .

In 2019 the Group changed the approach for long term loans issued of USD 11 917 thousand at 31 December 2019, previously classified as assets held for sale, due to management decision (Note 14).

The fair value of loans issued is disclosed in Note 27. The exposure of the Group to credit risk in relation to loans issued is reported in Note 24.

11 Residential Property under Construction

In thousands of US Dollars	2019	2018
Total residential property under construction at 1 January	**9 643**	**34 612**
Acquisition	8 932	9 636
Disposal (Note 31)	(5 701)	(22 916)
Subsequent expenditure	-	4 897
Impairment	-	(14 335)
Effect of translation to presentation currency	1 091	(2 251)
Total residential property under construction at 31 December	**13 965**	**9 643**

11 Residential Property under Construction (Continued)

In September 2019 the Group has purchased an inventory (residential property) in the total amount of USD 8 932 thousand.

In November 2018 the Group has purchased an inventory (residential property in Bolshevik complex) in the total amount of USD 9 636 thousand. Part of them were realized in 2019.

During 2018 a residential property under construction in the amount USD 22 916 thousand was sold within an investment project Avrasis disposal (Note 31).

12 Trade and Other Receivables

In thousands of US Dollars	31 December 2019	31 December 2018
Non-current assets		
Receivables for sale of subsidiaries	2 952	-
Current assets		
Receivables for sale of subsidiaries	1 962	5 762
Straight-line adjustment on rental income (Note 7)	6 502	12 316
Rent receivable	5 696	3 904
Other receivables	1 597	1 784
Total trade and other receivables	**18 709**	**23 766**

At 31 December 2019 the loss allowance per IFRS 9 relating to the trade and other receivables was USD 22 866 thousand with corresponding charge in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of USD 14 248 thousand for the year then ended 31 December 2019 (31 December 2018:USD 8 618 thousand and USD 7 879 thousand respectively).

Receivables of USD 2 952 thousand were classified as long term at 31 December 2019 due to the change in management expectations regarding maturity of those receivables.

Trade and other receivables balances are neither past due nor impaired except as disclosed in the table below:

In thousands of US Dollars	31 December 2019	31 December 2018
Past due but not impaired		
- less than 30 days overdue	2 182	424
- 30 to 90 days overdue	384	528
- 91 to 180 days overdue	275	439
- 181 to 360 days overdue	506	402
- over 360 days overdue	1 809	1 176
Total past due but not impaired	**5 156**	**2 969**

The above balances that are not impaired are mainly secured by the tenant deposits.

The fair value of trade and other receivables is disclosed in Note 27. The exposure of the Group to credit risk in relation to trade and other receivables is reported in Note 24.

13 Cash and Cash Equivalents

In thousands of US Dollars	31 December 2019	31 December 2018
Cash on hand	8	7
Current and demand accounts	19 247	18 169
Deposits with banks	15 142	21 611
Total cash and cash equivalents	**34 397**	**39 787**

At 31 December 2019 the Group had one counterparty (31 December 2018: three counterparties) with balances of deposits with banks above 10% of the aggregate balances of deposits with banks. Aggregate balances of deposits with banks to the above counterparties as at 31 December 2019 amounted to USD 12 357 thousand (31 December 2018: USD 20 498 thousand). The duration of these deposits is less than three months.

Analysis of cash balances with banks by credit ratings at respective dates was as follows:

In thousands of US Dollars		31 December 2019	31 December 2018
Neither past due nor impaired			
A-	Standard & Poor's	-	57
Aa1	Moody's	13	-
BB+	Standard & Poor's	-	225
BB-	Standard & Poor's	58	17
BBB	Fitch Ratings, Standard & Poor's	23 343	32 218
B-	Fitch Ratings, Standard & Poor's	13	53
Baa3	Moody's	9 462	1 918
Ba1	Moody's	-	1 343
Ba2	Moody's	12	100
Ba3	Moody's	1 009	-
Without credit rating		149	3 833
Other		330	16
Total cash balances with banks		**34 389**	**39 780**

Cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The fair value of cash and cash equivalents is disclosed in Note 27. The exposure of the Group to credit risk in relation to cash and cash equivalents is reported in Note 24.

14 Assets Classified as Held for Sale

The major classes of assets and liabilities of the subsidiaries classified as held for sale, are as follows:

In thousands of US Dollars	31 December 2019	31 December 2018
Loans issued	-	10 491
Cash and cash equivalents	-	569
Total non-current assets classified as held for sale	**-**	**11 060**
Borrowings	-	(12 945)
Current income tax liability	-	(47)
Trade and other payables	-	(16)
Total liabilities directly associated with non-current assets classified as held for sale	**-**	**(13 008)**

In 2018 the Group took the decision to sell Goldflavour Limited and Silverflair Limited, wholly owned subsidiaries. At 31 December 2018, Goldflavour Limited and Silverflair Limited were classified as a disposal companies held for sale.

In 2019 the Group changed the approach for the assets held for sale by reclassifying them to long term loans issued of USD 11 917 thousand at 31 December 2019 and reclassified the liabilities directly associated with non-current assets classified as held for sale to borrowings of USD 7 711 at 31 December 2019, due to management decision (Notes 10,15).

15 Borrowings

In thousands of US Dollars	31 December 2019	31 December 2018
Non-current borrowings		
Loans from banks	2 135 755	1 728 246
MOEX EUR bonds	383 287	381 184
Eurobonds	345 792	346 793
MOEX Rouble bonds	-	31 921
Loans from other companies and individuals	8 444	999
Lease liabilities	23 551	20 638
Total non-current borrowings	**2 896 829**	**2 509 781**
Current borrowings		
Loans from banks	74 751	268 214
MOEX Rouble bonds	37 960	1 361
MOEX EUR bonds	3 469	4 040
Eurobonds	1 791	4 954
Loans from other companies and individuals	370	133
Lease liabilities	2 603	2 362
Total current borrowings	**120 944**	**281 064**
Total borrowings	**3 017 773**	**2 790 845**

15 Borrowings (Continued)

The amounts above include unamortised loan origination costs of USD 18 160 thousand (31 December 2018: USD 2 750 thousand), notional principal amount of USD 2 974 960 thousand (31 December 2018: USD 2 749 961 thousand) and interest accruals of USD 24 819 thousand (31 December 2018: USD 32 965 thousand).The significant change in the unamortised loan origination costs is due to Eurobonds consent fee paid during 2019 capitalized and the new bank commissions on refinanced loans.

In March 2018 the MOEX USD bonds of nominal value USD 335 000 thousand and USD 150 000 thousand were converted to EUR. Taking into account new terms, including the extension, the Group took the decision to apply a modified model to MOEX EUR bonds recognition with market level of EUR interest rate. Main changes relate to interest rates (from 6-7% to 2-2.2%) and change in bonds maturity from 2021-2022 to 2024-2026 respectively. The gain on extinguishment of the previous liability was recognized in the amount USD 76 546 thousand.

MOEX Rouble and MOEX EUR bonds (former MOEX USD bonds) represent funding received by the Group as a result of the issue of MOEX Rouble and USD bonds by a company which is under common control with the Company.The MOEX Rouble and EUR bonds (former MOEX USD bonds) are guaranteed by the Company.

In January 2019 the Group refinanced a secured debt facility, with nominal outstanding principal amount of USD 189 000 thousand. The new ruble denominated facility has a five year term.

In April 2019 the Group refinanced a secured debt facility, with nominal outstanding principal amount of EUR 164 438 thousand (equivalent USD 184 894 thousand translated using the rate on final repayment date). The new ruble denominated facility has a five year term.

In April 2019 the Group refinanced a secured debt facility, with nominal outstanding principal amount USD 38 469 thousand. Along with the above refinancing, the Group borrowed additional USD 44 000 thousand (the amount above is an equivalent of Rouble denominated loan) that were utilized for the purchase of portion of O1 Group Limited debt guaranteed by the Company referred to in Note 17. These new ruble denominated facilities have a nine year term.

In May 2019 a loan from bank with nominal outstanding principal amount of USD 338 762 thousand was redenominated into EUR. The new facility has a three year term.

In July 2019 the Group amended a secured debt facility, with nominal outstanding principal amount of USD 145 143 thousand. The new EUR denominated facility has a five year term.

In July 2019 the Group amended a secured debt facility, with nominal outstanding principal amount of USD 223 280 thousand was redenominated into EUR and RR in equal proportions. The new facilities have a five year term.

In July 2019 the Group entered into amendment to its original facilities agreement for the purpose of increasing the credit limit by RR 500 000 thousand (equivalent USD 7 545 thousand at the date of transaction).

In August 2019 the Group amended a secured debt facility, with nominal outstanding principal amount USD 148 750 thousand was redenominated into EUR and RR in equal proportions. The new facilities have a five year term.

In August 2019 the Group entered into a new facility agreement with the bank under which an amount of RR 7 150 000 thousand (equivalent to USD 115 498 as at 31 December 2019) was obtained for the purpose to refinance an existing loan facility. This facility has a five year term.

During 2019 the Group repaid a secured debt facilities, with nominal outstanding principal amount of EUR 9 720 thousand (equivalent to USD 10 920 thousand).

In August 2019 the Group entered into the facilities agreement with the bank under which an amount of RR 335 000 thousand (equivalent to USD 5 411 as at 31 December 2019) was obtained. This facility has a two year term.

For those loans being refinanced within 2018 and 2019, no gain/loss on extinguishment arose since the carrying amount of the financial liability extinguished and the fair value of the new financial liability were approximately the same.

15 Borrowings (Continued)

The Company has accounted for all modifications that resulted in a change in the currency denomination of the loan as extinguishments of financial liabilities.

In 2019 the Group changed the approach for borrowings of USD 7 711 at 31 December 2019, previously classified as liabilities directly associated with non-current assets classified as held for sale, due to management decision.

The detailed information on borrowings at 31 December 2019 is presented below:

In thousands of US Dollars	Contractual interest rate, % per annum	Maturity (years)	Carrying amount
Secured on investment property and investment property under construction	11.15%	less than 1	14 538
	CBR Key Rate + Margin 1.1%-6%	1-5	1 348 514
	4.2% - 9.8%	1-5	367 054
	3 months EURIBOR + Margin 4.3%-4.75%	1-5	386 656
	CBR Key Rate + Margin 1.85%	over 5	88 255
Unsecured facility of the Group	10.85%	less than 1	5 376
	1% - 13 %	1-5	393 294
	6 months EURIBOR + Margin 2.2%	over 5	266 622
	6 months EURIBOR + Margin 2%	1-5	120 134
	8%	over 5	1 176
Lease liabilities			26 154
Total borrowings			**3 017 773**

The detailed information on borrowings at 31 December 2018 is presented below:

In thousands of US Dollars	Contractual interest rate, % per annum	Maturity (years)	Carrying amount
Secured on investment property and investment property under construction	6.5% - 11.15%	1-5	485 185
	CBR Key Rate + Margin 2%	1-5	144 018
	CBR Key Rate + Margin 1.1%	1-5	379 486
	3 months EURIBOR + Margin 4.75%	1-5	187 709
	3 months LIBOR + Margin 4.45% - 5.7%	1-5	800 062
Unsecured facility of the Group	8.25% - 13%	1-5	386 161
	6 months EURIBOR + Margin 2% - 2.2%	over 5	385 224
Finance lease liabilities			23 000
Total borrowings			**2 790 845**

At 31 December 2019 the undrawn facilities totalled USD nil (31 December 2018: USD 50 000 thousand).

The Group is subject to a number of financial covenants related to its borrowings including the following key ratios and indices:

- Loan to Value Ratios – represented by different types of ratios expressed as a percentage of the aggregate loans outstanding under the specific credit facility (subject to certain adjustments and depending on the amount of the committed loan facility) to the aggregate market value of a specific property or the property portfolio according to the most recent valuation;
- Debt Service Cover Ratios – represented by different types of ratios expressed as a percentage of the net rental income of the Group or its subsidiaries for the specified period to the aggregate of principal, interest and other amounts payable under the specific credit facility for the same period;
- Equity ratios – expressed as a percentage of total equity to the aggregate amount of debt;

15 Borrowings (Continued)

- Occupancy ratio - expressed as a percentage of the total area of the property subject to long term leases to the gross leasable area of the Property; and
- Minimum amounts of total equity.

The Group is also subject to compliance with a number of various non-financial covenants. Additional information on covenants is disclosed in Note 26.

The Group was in compliance with or had waivers on all covenants related to key borrowings at 31 December 2019 and 2018.

The lease liabilities are related to the lease of land under investment properties (Note 7). The reconciliation between the total future minimum lease payments and their present value is set out below:

In thousands of US Dollars	**31 December 2019**	**31 December 2018**
Minimum lease payments:		
- not later than one year	2 788	2 495
- later than 1 year and not later than 5 years	11 151	9 835
- later than 5 years	86 738	78 330
Total minimum lease payments	**100 677**	**90 660**
Less future finance charges	(74 523)	(67 660)
Present value of minimum lease payments	**26 154**	**23 000**

At 31 December 2019 the interest rate implicit in the leases was 10.91% (2018: 11.04%). The fair value of borrowings is disclosed in Note 27.

Carrying amounts of the Group's lease liabilities and the movements during the period:

In thousands of US Dollars	**Lease liabilities**
As at 1 January 2019	**(23 000)**
Interest expense	(2 931)
Effect from land lease modification	43
Effect of translation to presentation currency	(2 800)
Interest repayments	2 534
As at 31 December 2019	**(26 154)**

16 Provisions

At 31 December 2019 the amount of provisions in the statement of financial position, includes the amount of USD 35 958 thousand (31 December 2018: USD 42 999 thousand) which was recognized during 2018 in relation to probable obligations as a result of legal proceedings affecting the subsidiary company Semela Limited (Notes 1, 26). It is not expected that there will be a cash outflow in the next 12 months in relation to the above-recognized liability.

At 31 December 2019, the Group and O1 Group Limited have jointly and severally provided an indemnity to two non-controlling shareholders of the Company, regarding losses that might arise from each of the guarantees provided by the Group (Refer to Note 17). At 31 December 2019 these indemnity liabilities were acknowledged in the amount USD 36 064 thousand (2018: USD 36 226). The amount of the indemnity was determined as the percentage of the losses from the guarantee that corresponded to their shareholdings in the Company. Refer to Note 17.

17 Financial Guarantees Liabilities

The main amount of financial guarantees liabilities of USD 190 312 (31 December 2018: USD 185 746) is a result of the obligation recognition in the amount of USD 190 250 thousand (31 December 2018: USD 185 098) guaranteed by the Group in relation to borrowings of O1 Group Limited (Cyprus), a company controlled by the previous ultimate controlling shareholder (Note 1). The Group recognized the financial guarantee loss in 2019 in the amount USD 5 153 (2018: USD 179 254). Refer to Note 24.

O1 Group Limited as the borrower under USD 175 million mezzanine loan facility involving a limited number of syndicate participants is unable to perform its obligations due to its poor financial condition. The borrowing is guaranteed by the Group and secured by all shares of the Company's subsidiaries in Ratado Holding Limited ("Ratado") (Refer to Note 1). In order to avoid potential seizure of "Ratado" shares by the Creditors and as a Guarantor under the borrowing, the Group acknowledged the liability in full and started to service the debt. Under the previous borrowing terms of O1 Group, the above debt matures in April 2020. The management of the Group entered into discussions with all the participants which include the Company's parent Riverstrech Trading & Investments Limited (RTI). As disclosed in Note 8 RTI signed with O1 Properties Limited a Funded Participation Agreement under which the Company is financing RTI participation in the syndicate loan with the amount of USD43 million.

In the meantime the Group pays part of the accrued interest, which currently stands at the rate of 9%, throughout the period up to April 2020 and the remaining, which was prolonged, will be paid on the loan maturity in April 2020.

At 31 December 2019 the Group guaranteed liabilities of its previous joint venture (Note 31) in the amount of USD 20 088 thousand (31 December 2018: USD 20 088 thousand). The Group was indemnified by a guarantee issued by Cesium Limited for 49.9% of the guaranteed liability which amounts to USD 10 024 thousand (31 December 2018: USD 10 024 thousand). As a result, the total exposure of the Group in relation to this guarantee is USD 10 064 thousand (31 December 2018: USD 10 064 thousand). The Company in the process of negotiation to release this guarantee.

The Group guaranteed liabilities of the third party with a limit of RR 40 million for one and half years and with a limit of RR 35 million for two years.

At 31 December 2019 the loss allowance per IFRS 9 relating to these financial guarantees liabilities described above was (other then related to mezzanine loan) was USD 62 thousand with corresponding charge in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of USD 62 thousand for the year ended 31 December 2019. Several financial guarantees have been released during 2019, as a result an amount of USD 648 thousand recognised in prior year as loss allowance was reversed. Refer to Note 24.

18 Trade and Other Payables and Other Liabilities

In thousands of US Dollars	**31 December 2019**	**31 December 2018**
VAT and taxes payables other than on income	18 117	14 517
Payables for expenditure on investment property	6 552	7 895
Dividends payable (Note 29)	1 585	1 585
Payables for professional fees	1 906	2 096
Accrued employees compensation	857	718
Payable to related parties (Note 29)	128	579
Other	548	501
Total trade and other payables and other liabilities	**29 693**	**27 891**

19 Share Capital and Share Premium

Share capital issued and fully paid comprises:

In thousands of US Dollars	Number of class A shares issued	Number of class B shares issued	Nominal amount	Share premium	Total
Balance at 1 January 2018	**21 694 704**	**69 175 017**	**1 140**	**1 193 219**	**1 194 359**
Balance at 31 December 2018	**21 694 704**	**69 175 017**	**1 140**	**1 193 219**	**1 194 359**
Balance at 1 January 2019	**21 694 704**	**69 175 017**	**1 140**	**1 193 219**	**1 194 359**
Balance at 31 December 2019	**21 694 704**	**69 175 017**	**1 140**	**1 193 219**	**1 194 359**

At 31 December 2019 and 2018 the authorized share capital of the Company was 21 694 704 Class “A” shares of nominal value USD 0.01 each and 200 000 000 Class “B” shares of nominal value EUR 0.01 each.

In accordance with the Articles of Association of the Company class “A” shares (1) do not have voting rights in the event that the holders of class A shares do receive dividends in the preceding calendar quarter, (2) are entitled to non-cumulative quarterly dividends at the absolute discretion of directors of the Company not exceeding USD 2.17 per share p.a. and in priority to other shares, (3) receive maximum USD 18.11 per share upon liquidation and (4) give the holder the right to convert its class “A” shares into class “B” shares. Class “B” shares (1) have voting rights, (2) may receive dividends only if at least minimum amount of dividends has been distributed to the holders of class “A” shares within the same period, and (3) are entitled to distributions upon liquidation.

The Board of Directors does not recommend the payment of dividends from the results of the year ended 31 December 2019 and 31 December 2018.

Nature and purpose of reserves

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

The revaluation reserve comprises the revaluation of property, plant and equipment immediately before its reclassification as investment property and any surplus or deficit from the revaluation of property, plant and equipment after initial recognition.

20 Net Rental Income

		For the year ended 31 December	
In thousands of US Dollars	**Note**	**2019**	**2018**
White Square		61 617	59 016
Vivaldi Plaza		29 757	27 134
Legenda Tsvetnogo		23 310	20 307
Ducat III		25 775	22 421
White Stone		19 568	17 730
Silver City		16 163	15 663
Krugozor		16 345	13 864
Stanislavsky Factory		15 112	11 978
Lighthouse		12 748	11 544
LeFort		11 256	8 958
Icube		3 809	1 479
Zarechie	31	-	5 632
Avrasis	31	-	2 195
Other		2 782	2 052
Total net rental income		**238 242**	**219 973**

The operating expenses for the year ended 31 December 2019 and 2018:

	For the year ended 31 December	
In thousands of US Dollars	**2019**	**2018**
Property tax	14 650	23 400
Property management fees	10 240	14 074
Cleaning and utilities	10 774	10 490
Security	2 986	2 410
Repairs and maintenance	2 052	1 296
Insurance	730	815
Other	774	1 163
Total operating expenses of investment property	**42 206**	**53 648**

All operating expenses relate to the Investment property generating the revenue.

21 General and Administrative Expenses and Other Operating Expenses

In thousands of US Dollars	**Note**	**For the year ended 31 December 2019**	**2018**
Employees compensation		15 255	13 436
Own premises related expenses		2 567	841
Professional services		2 432	4 134
Social contributions		330	106
Taxes other than income		871	207
Marketing and advertising		768	2 885
Depreciation of property, plant and equipment	6	701	550
Bank fees		367	300
Travel		201	234
Information services		173	168
Other		1 195	1 418
Total general and administrative expenses		**24 860**	**24 279**

An average number of employees in 2019 were 274 (2018:211).

The amount of Director fees charged for the year ended 31 December 2019 is USD 222 thousand (2018: USD 502 thousand) and it is part of line Employees compensation and related social contributions.

In thousands of US Dollars	**For the year ended 31 December 2019**	**2018**
Impairment of residential property under construction	-	14 335
Impairment of receivables	-	1 590
Professional services	4 118	2 138
Leasing commissions	2 109	2 101
Fines	951	594
Marketing and advertising	-	183
Other	668	959
Total other operating expenses	**7 846**	**21 900**

The professional services for 2019 and 2018 stated above include the fees related to raising funds and incremental expenses related to administering of individual investment properties and related holding structures.

During 2019 the Company's statutory audit firm fees for audit services amounted to USD 575 thousand (2018: USD 585 thousand) and for other assurance services amounted to USD 115 thousand (2018: USD 115 thousand).

Information on transactions with related parties is presented in Note 29.

22 Finance Income and Finance Costs

In thousands of US Dollars	For the year ended 31 December 2019	2018
Net gain from derivatives	46 064	-
Interest income on loans	31 387	22 927
Interest income on deposits	97	170
Gain from financial liability extinguishment (Note 3)	-	76 546
Other	1 452	21
Total finance income	**79 000**	**99 664**
Interest expense on borrowings (excluding lease liability)	247 164	239 288
Loss on initial recognition of financial assets	-	16 132
Charge on lease liabilities	2 519	2 276
Interest expense on accretion of interest on tenants deposits	4 185	6 355
Net loss from derivatives	-	26 359
Other	-	22
Total finance costs	**253 868**	**290 432**
Net finance cost recorded in profit or loss	**(174 868)**	**(190 769)**

Information on transactions with related parties is presented in Note 29.

23 Income Taxes

Income tax expense/(credit) comprises the following:

In thousands of US Dollars	2019	2018
Current tax	8 362	5 348
Deferred tax	(8 120)	23 034
Income tax expense for the year	**242**	**28 382**

The income tax rate applicable to the majority of the Group's income in Russian Federation is 20%. The income tax rate on the Group's income in Cyprus is 12.5%.

23 Income Taxes (Continued)

A reconciliation between the expected and the actual taxation charge is provided below:

In thousands of US Dollars	**2019**	**2018**
Loss before income tax	**(272 064)**	**(451 819)**
Tax credit using the Company's statutory rate	(34 007)	(56 477)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-taxable (income)/non-deductible expenses related to foreign exchange losses	(23 737)	49 083
- Non-deductible expenses on guarantees liabilities	1 238	23 153
- Non-deductible expenses/(income) on indemnity and provision liabilities	484	9 903
- Non-deductible expenses on loss allowance under IFRS 9	6 036	13 662
- Other non-taxable income	15 001	9 013
- Net impact of difference in tax rates in different jurisdictions	3 382	30 395
- Unrecognized deferred tax asset related to investment property operating companies	31 845	(50 350)
Income tax expense/(credit) for the period	**242**	**28 382**

Differences between IFRS and statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their tax bases. As these differences relate to the activities in Russia and Cyprus the tax effect of the movement on these temporary differences is recorded at the rates of 20% or 12.5% respectively.

Taking into consideration the current Group structure the management of the Group does not expect that the transfer of earnings from operating companies of the Group to the Company will result in material tax expenses and therefore no deferred taxation has been recorded in these consolidated financial statements in respect of investments in subsidiaries.

23 Income Taxes (Continued)

In thousands of US Dollars	31 December 2018	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	Effect of translation to presentation currency	Written off as unrecoverable	Acquisition of subsidiary	Disposal of subsidiary	31 December 2019
Tax effect of taxable temporary differences/gross deferred tax assets/liabilities related to:								
- loss carry forward	117 462	(72)	-	12 512	(29 022)	14	(2 718)	98 176
- investment property and property plant and equipment	(129 014)	39 567	645	(14 612)	-	-	-	(103 414)
- other	2 525	(1 644)	-	845	-	-	-	1 726
Total net deferred tax asset/(liability) (including deferred tax asset/(liability) related to assets classified as held for sale)	**(9 027)**	**37 851**	**645**	**(1 255)**	**(29 022)**	**14**	**(2 718)**	**(3 512)**

In the context of the Group's current structure and Russian legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and same taxation authority.

Under the Russian legislation the tax losses can be carried forward indefinitely.

23 Income Taxes (Continued)

The movement on the unrecognized deferred tax asset on the negative fair value of the investment property is presented in the table below:

In thousands of US Dollars	31 December 2017	Change during the year	31 December 2018	Change during the year	31 December 2019
- Unrecognized Deferred tax asset	(90 753)	50 350	(40 403)	(50 953)	(91 356)
Total unrecognized deferred tax asset	**(90 753)**	**50 350**	**(40 403)**	**(50 953)**	**(91 356)**

24 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks (credit, liquidity and market risks, including currency, interest rate and other price risks), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk

The Group takes on an exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's exposure to credit risk is reflected in the carrying amounts of the respective financial instruments.

The Group manages its trade receivables credit risks by performing credit checks of all new tenants. If tenants are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group's marketing department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. In certain cases the Group requires a guarantee from the parent. Rent receivable is secured by tenants deposits paid at the inception of each tenant's lease agreements.

In order to minimise credit risk, the Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group transacts with entities that are rated the equivalent of investment grade. The credit rating information is supplied by independent rating agencies where available and represents ability of the borrower repay debt timely and cover outstanding amount in case of default based on the assessment of financial performance of the borrower.

If not available, the Group uses other publicly available financial information and its own trading records to rate its major customers.

The Group consider that significant change in credit risk is defined as delay in principal or interest payment for 90 days and more (depending on type and nature of financial asset).

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with lease receivables is mitigated because they are secured by tenant deposits.

24 Financial Risk Management (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is > 90 days past due (depending on type and nature of financial asset) or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – non credit-impaired
In default	Amount is > 180 days past due (depending on type and nature of financial asset) or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group had one counterparty (31 December 2018: one counterparty) with balances of loans issued above 10% of the aggregate balances of loans issued. This counterparty did not have credit rating provided by external agency. At the same time there were no interest payments for these loans within the reporting period. It was decided, by the Group management, to assess their ability to meet their obligations. The assessment is based on a number of assumptions related to the forecast of the commercial real estate market and the prospects of the Russian economy as a whole.

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

31 December 2019	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Gross carrying amount	Loss allowance	Net carrying amount
Loans issued	10	N/A	Performing	12-month ECL	55 922	(481)	55 441
Loans issued	10	N/A	In default	Lifetime ECL (not credit impaired)	367 984	(140 742)	227 242
Trade and other receivables	12	N/A	In default	Lifetime ECL (credit impaired)	14 218	(14 218)	-
Trade and other receivables	13	N/A	(**)	Lifetime ECL (simplified approach)	18 479	(2 722)	15 757
Receivables from sale of subsidiaries	12	N/A	In default	Lifetime ECL (not credit impaired)	8 878	(5 926)	2 952
Deposits in banks	13	BBB	N/A	12-month ECL	1 050	-	1 050
Deposits in banks	13	N/A	Performing	12-month ECL	324	-	324

Cash and Cash Equivalents are not inclided in credit risk because they treated as current with a maturity of up to 12 months.

24 Financial Risk Management (Continued)

The detailed information at 31 December 2018 is presented below:

31 December 2018	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Gross carrying amount	Loss allowance	Net carrying amount
Loans issued	10	N/A	Performing	12-month ECL	2 075	(77)	1 998
Loans issued, inlcuding loans in companies held for sale	10	N/A	In default	Lifetime ECL (not credit impaired)	342 466	(106 477)	235 989
Trade and other receivables	12	N/A	(**)	Lifetime ECL (simplified approach)	19 206	(1 192)	18 014
Trade and other receivables	12	N/A	In default	Lifetime ECL (credit impaired)	4 732	(4 732)	-
Receivables from sale of subsidiaries	12	N/A	In default	Lifetime ECL (not credit impaired)	8 456	(2 694)	5 762
Deposits in banks	13	BBB-	Performing	12-month ECL	21 611	-	21 611

Guarantees issued:

31 December 2019	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Exposure	Loss allownace
Financial guarantee contracts	17	N/A	Performing	12-month ECL	11 276	(62)
Financial guarantee contracts	17	N/A	in default	Lifetime ECL (credit impaired)	190 250	(190 250)

The detailed information at 31 December 2018 is presented below:

31 December 2018	Note	External credit rating	Internal credit rating	Basis for recognising expected credit losses	Nominal amount of guarantee (*)	Provision recognised
Financial guarantee contracts	17	N/A	(*)	12-month ECL	76 984	(648)
Financial guarantee contracts	17	N/A	In default	Lifetime ECL (credit impaired)	185 098	(185 098)

* For Group guarantee, the nominal amount of guarantee represents the maximum amount the Group has guaranteed under the respective agreement.

** For trade receivables and other receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix below:

Days of payment delay	0-30	31-90	91-180	More than 180
Provision, % of outstanding amount	1%	20%	50%	100%

The following table shows the movement in expected credit losses that has been recognised for the respective financial assets and financial guarantees:

24 Financial Risk Management (Continued)

	12-month ECL Loans	Lifetime ECL (not credit impaired) Loans	Lifetime ECL (not credit impaired) Receivables	Lifetime ECL (simplified approach) Receivables	Lifetime ECL (credit impaired) Receivables	Lifetime ECL (credit impaired) Guarantee	12-month ECL Guarantee	Total
Balance as at 1 January 2019 under IFRS 9	**77**	**106 477**	**2 694**	**1 192**	**4 732**	**185 098**	**648**	**300 918**
Increase/Decrease in loss allowance recognised in the year	404	34 265	3 232	1 530	9 486	5 152	(586)	53 483
Balance as at 31 December 2019	**481**	**140 742**	**5 926**	**2 722**	**14 218**	**190 250**	**62**	**354 401**

The detailed information at 31 December 2018 is presented below:

	12-month ECL Loans	Lifetime ECL (not credit impaired) Loans	Lifetime ECL (not credit impaired) Receivables	Lifetime ECL (simplified approach) Receivables	Lifetime ECL (credit impaired) Receivables	Lifetime ECL (credit impaired) Guarantee	12-month ECL Guarantee	Total
Balance as at 1 January 2018 under IFRS 9	**-**	**3 670**	**-**	**739**	**-**	**1 713**	**-**	**6 122**
Increase/Decrease in loss allowance recognised in the year	77	102 807	2 694	453	4 732	183 385	648	294 796
Balance as at 31 December 2018	**77**	**106 742**	**2 694**	**1 192**	**4 732**	**185 098**	**648**	**300 918**

The significant increase in loss allowance arose from the recognition of lifetime ECL for these loans on 31 December 2019.

None of the trade receivables that have been written off is subject to enforcement.The carrying amount of financial assets represents the maximum credit exposure (Notes 10, 12 and 13). Also refer to Notes 26 and 17 for the information on derivatives financial instruments and guarantees respectively.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by the top management of the Group. Management uses budgeting and cash forecasting to ensure that the Group has sufficient resources to meet its obligations.

The Group manages liquidity risk based on the following key components:

- As the Group has a long-term investment horizon, it strives for a sound capital structure and actively seeks long-term financing; and
- Weighted average loan maturity should exceed 3 years.

24 Financial Risk Management (Continued)

The table below shows liabilities at 31 December 2019 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross lease obligations (before deducting future finance charges). Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows. For the purposes of the maturity analysis, embedded derivatives are not separated from hybrid (combined) financial instruments.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of reporting period.

The maturity analysis of financial liabilities at 31 December 2019 was as follows:

In thousands of US Dollars	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Borrowings	3 017 773	3 814 630	285 287	1 168 587	1 901 441	459 315
Tenant deposits	46 030	65 227	6 956	24 732	21 826	11 713
Derivative financial instruments	(12 205)	(13 203)	(10 505)	(16 086)	13 388	-
Financial guarantees	190 312	195 268	195 268	-	-	-
Trade and other payables, excluding taxes payable and advances received	10 719	10 719	10 719	-	-	-
Total potential future payments for financial obligations	**3 252 629**	**4 072 641**	**487 725**	**1 177 233**	**1 936 655**	**471 028**

The maturity analysis of financial liabilities at 31 December 2018 was as follows:

In thousands of US Dollars	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Borrowings	2 790 845	3 496 783	438 691	1 292 341	1 285 927	479 824
Tenant deposits	44 232	63 761	6 808	28 235	20 110	8 608
Derivative financial instruments	24 510	27 293	(7 900)	(10 071)	45 265	-
Financial guarantees	185 098	210 568	11 224	199 344	-	-
Trade and other payables, excluding taxes payable and advances received	12 656	12 656	12 656	-	-	-
Total potential future payments for financial obligations	**3 057 340**	**3 811 060**	**461 479**	**1 509 849**	**1 351 302**	**488 432**

For maximum exposure on guarantees given please refer to credit risk disclosure.

In addition to the above potential future payments for financial obligations the Group has certain other commitments as disclosed in Note 26.

Market risk

The Group takes on exposure to market risks. Market risks arise mainly from open positions in foreign currencies and interest bearing assets and liabilities, all of which are exposed to general and specific market movements.

Currency risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

24 Financial Risk Management (Continued)

The Group limits its exposure to the effects of currency risk by maintaining a balance between of rental revenues and borrowings denominated in US Dollars, Euro and Rubles.

The table below summarises the Group's exposure to foreign currency exchange rate risk as monitored by management at the end of reporting period:

	31 December 2019			31 December 2018		
In thousands of US Dollars	**USD**	**Euro**	**RR**	**USD**	**Euro**	**RR**
Monetary financial assets						
Loans issued	261 086	1 212	20 385	223 010	-	4 486
Cash and cash equivalents	3 192	4 135	27 070	2 312	120	37 355
Trade and other receivables	738	376	8 141	2 474	835	8 141
Effect of currency based derivatives	12 149	56	-	-	-	-
Total monetary financial assets	**277 165**	**5 779**	**55 596**	**227 796**	**955**	**49 982**
Monetary financial liabilities						
Borrowings	(356 397)	(962 284)	(1 699 091)	(1 447 215)	(575 875)	(767 755)
Tenant deposits	(33 533)	(821)	(11 676)	(34 757)	(900)	(8 585)
Trade and other payables, excluding taxes payable and accrued employees compensation	(4 739)	-	(5 981)	(5 241)	-	(7 416)
Effect of currency based derivatives	-	-	-	-	(24 510)	-
Total monetary financial liabilities	**(394 669)**	**(963 105)**	**(1 716 748)**	**(1 487 213)**	**(601 285)**	**(783 756)**
Net balance sheet and derivatives position at 31 December	**(117 504)**	**(957 326)**	**(1 661 152)**	**(1 259 417)**	**(600 330)**	**(733 774)**

The above analysis includes only monetary assets and liabilities.

The main operating entities of the Group have Russian Rouble functional currency (Note 3).

For the significant exchange rates which were applied refer to Note 2.

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Exposure of the Group to the interest rate risk is related mainly to borrowings. Carrying value of borrowings categorized by the earlier of contractual interest repricing or maturity dates adjusted for the impact of interest rate derivatives was as follows:

24 Financial Risk Management (Continued)

Carrying value by maturity of financial liabilities exposed to interest rate fluctuations risk was as follows:

In thousands of US Dollars	**Less than 1 year**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**More than 5 years**	**Total**
31 December 2019							
Fixed interest rate and hedged by interest rate derivatives floating interest rate borrowings and guarantees	(248 206)	(348 685)	-	(184 721)	(309 005)	(267 888)	(1 358 505)
Floating interest rate borrowings	(1 823 426)	-	-	-	-	-	(1 823 426)
Net interest sensitivity position in borrowings (excluding lease liabilities) at 31 December 2019	**(2 071 632)**	**(348 685)**	**-**	**(184 721)**	**(309 005)**	**(267 888)**	**(3 181 931)**

In thousands of US Dollars	**Less than 1 year**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**More than 5 years**	**Total**
31 December 2018							
Fixed interest rate and hedged by interest rate derivatives floating interest rate borrowings	(2 108)	(582 102)	(352 861)	(299 323)	(161 609)	(385 238)	(1 783 241)
Floating interest rate borrowings	(1 169 701)	-	-	-	-	-	(1 169 701)
Net interest sensitivity position in borrowings (excluding finance lease liabilities) at 31 December 2018	**(1 171 809)**	**(582 102)**	**(352 861)**	**(299 323)**	**(161 609)**	**(385 238)**	**(2 952 943)**

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The main interest rate risk of the Group is related to its borrowings. This risk arises mainly as a result of (1) originating borrowings at floating rates and (2) need to refinance the expiring borrowings. At 31 December 2019, if interest rates on borrowings of the Group had been 200 basis points higher (lower) with all other variables held constant profit before income tax expense for a year would have been USD 49 702 thousand lower (higher) (2018: USD 55 133 thousand lower (higher)).

Fixed interest rate borrowings and hedged by interest rate derivatives floating interest rate borrowings mainly consist of borrowings with floating interest rate hedged by interest rate swap or interest rate cap with fixed interest rate.

The Group's overall policy is to minimize exposure to fluctuations in variable interest rates using financial instruments.

The Group performs a periodic analysis of the current interest rate environment and depending on this analysis at the time of raising new debt management makes decisions on whether obtaining finance on a fixed-rate or a variable-rate basis would be more beneficial to the Group over the expected period until maturity.

24 Financial Risk Management (Continued)

The average interest rates for the principal financial instruments at the reporting date were as follows:

	31 December 2019		31 December 2018	
	Contractual rate	**Effective rate**	**Contractual rate**	**Effective rate**
Loans from banks (primarily in RR)	6.5%	7.1%	7.8%	7.7%
Loans from other companies (primarily in USD)	7.1%	7.1%	6.3%	6.3%
MOEX Rouble bonds (in RR)	13.0%	13.0%	13.0%	13.0%
Eurobonds (in USD)	8.3%	8.5%	8.4%	8.2%
MOEX EUR bonds	2.2%	5.1%	2.2%	5.1%
Finance lease liabilities (all in RR)	-	11.0%	-	11.0%
Tenant deposits (all in USD)	-	7.8%	-	8.1%

To minimize interest rate risk the Group's management aims:

- to maintain average interest rates below expected cap rates if the project is to be highly leveraged;
- to maintain an optimal mix of floating and fixed rate financing for all financial commitments; and
- to use floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates (Notes 15 and 26).

25 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital and net debt.

In thousands of US Dollars	**31 December 2019**	**31 December 2018**
Borrowings (Note 15)	3 017 773	2 790 844
Less: cash and cash equivalents (Note 13)	(34 397)	(39 787)
Net debt	2 983 376	2 751 057
Total equity	104 382	331 692
Total	3 087 758	3 082 749
Gearing ratio	**96.62%**	**89.24%**

Refer to Note 19 for the information on the share capital structure and the description of classes of shares issued.

26 Contingencies, Commitments and Operating Risks

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of management's own estimates and internal professional advice, management is of the opinion that no material losses will be incurred in respect of any such claims, and accordingly no provision has been recorded in these consolidated financial statements.

As of the date of approval of this financial information, there are court proceedings in Russia and in Cyprus brought by certain financial institutions against the previous shareholders of the Company, the Company and other related parties in relation to transactions entered into by the previous majority shareholders of the Company. As those proceedings are still at the initial stages (except with respect to the case of Semela Limited, specific details of which are discussed under the section "Assets pledged and restricted" below), their impact, if any for the Company and the Group cannot presently be assessed.

In the first quarter of 2019 Moscow Property Department unilaterally terminated lease agreement for the land under the Greendale project. However, due to the fact, that the Group ownership rights for the construction in progress were registered, the Group has a right to enter into the new land lease agreement with Moscow Property Department for 3 years without tendering procedure. The Moscow Development and Land Commission has agreed with provision of the land plot for the completion of the project development. The Group plans to continue to use the site and develop the project and in the near future.

After the end of the reporting period Moscow Property Department applied to court claiming overdue rent under terminated lease. The Group is ready to challenge the claim in court. According to legal consultants and taking into account all the arguments, the Group has a very high chance of successfully closing the lawsuit.

Tax contingencies. Russian tax legislation which was recently enacted is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As Russian tax legislation does not provide definitive guidance in certain areas, from time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. This legislation allows tax authorities to assess additional taxes for controllable transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Company's operations.

Most of the Group's companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia, except for those entities that have registered commercial Branches in the Russian Federation. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

26 Contingencies, Commitments and Operating Risks (Continued)

Certain changes into Russian Tax Code that came into force starting 1 January 2015, which introduced the following concepts: (i) the “controlled foreign companies rules” (the “CFC Rules”). Under the Russian CFC Rules, in certain circumstances, undistributed profits of foreign companies and non-corporate structures (e.g., trusts, funds or partnerships) domiciled in foreign jurisdictions, which are ultimately owned and/ or controlled by Russian tax residents (legal entities and individuals), shall be subject to taxation in Russia; (ii) the concept of tax residency for legal entities. Under this concept a legal entity may be recognized as Russian tax resident if such entity is in fact managed from Russia. When an entity is recognized as Russian tax resident it is obligated to register, calculate tax on its worldwide income and comply with other tax-related rules established for Russian entities; (iii) the concept of “beneficial ownership”. Under the Federal Law, a beneficial owner is defined as a person holding directly, through its direct and/or indirect participation in other organizations or otherwise, the right to own, use or dispose of income, or the person on whose behalf another person is authorized to use and/or dispose of such income.

Tax liabilities of the Group companies are determined based on the underlying assumption that Group companies except those registered in the Russian Federation are not Russian tax residents and are beneficial owners of income received from Russia. It is possible, with the evolution of the above concepts, that such approach could be challenged both for the reporting period and in certain cases for previous years open for tax audits. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Company’s operations.

Management assessed the impact of these changes and believe that it is not probable that the manner of doing operations by, and with, the foreign Group companies will give rise to material tax liabilities other than those provided in these consolidated financial statements. The tax legislation in Russia is subject to varying interpretations which can change frequently and as such an unquantifiable risk remains that the tax authorities could seek to challenge this position in the future and levy additional tax on the Group. Accordingly as of 31 December 2019 no provision for potential tax liabilities had been recognized.

The Group is assessing the impact that the changes introduced by the above laws may have on its operations and/or reporting.

In addition to the above matters, management estimates that at 31 December 2019 the Group had possible obligations from exposures to other than remote tax risks of approximately up to USD 74 104 thousand (31 December 2018: approximately up to USD 57 906 thousand). In the event that these possible tax risks crystallise as liabilities in the near future, the tax losses could be used to settle these liabilities. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Based on various valid arguments Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

Capital commitments. At 31 December 2019 the Group has USD 870 thousand contractual capital expenditure commitments (31 December 2018: USD Nil).

Assets pledged and restricted. At 31 December 2019 investment properties and owner occupied premises with a fair value of USD 3 093 377 thousand and USD 20 713 thousand respectively (31 December 2018: USD 3 197 268 thousand and USD 21 952 thousand respectively) and related land lease and lease proceeds were pledged in relation to borrowings (Notes 6, 7 and 15). Also refer to Note 1 for the information on shares of subsidiaries of the Group pledged.

According to the signed loan agreements with the bank, the Group has no pledges on cash, but restrictions on deposits accounts are possible. If the Group violates the terms of the agreements (non-payments under credit agreement), the bank has the opportunity to withdraw the debt from such accounts. As at 31 December 2019 all payments were done in an appropriate time and such bank restrictions were not applicable.

At 31 December 2019 a residential property in the amount USD 13 965 thousand was pledged in relation to borrowings (31 December 2018: USD 9 643 thousand) (Note 11 and 15).

26 Contingencies, Commitments and Operating Risks (Continued)

All shares in Ratado Holding Limited (a holding company for subsidiaries of the Group which owns Vivaldi, Lighthouse, Silver City, Ducat III, Legenda Tsvetnogo, White Square and White Stone properties (Note 1)) were pledged as securities in relation to a USD 175 million borrowing by a company which is controlled by the previous Ultimate Controlling Shareholder (Note 1). Also refer to Note 1 for the information on shares of subsidiaries of the Group pledged and Note 17 for information on the guarantee.

Under the legal proceeding between certain financial institutions and the companies controlled by the Ultimate Controlling Shareholder, the participatory interest of Semela Limited and investment property owned by Semela Limited (constituting Nevis Business Center) have been restricted for disposal as the injunction under the specified legal proceeding. In September 2018 an unfavourable judgement was handed down against the Group in this respect. At 31 December 2019 the Group recognised the provision in the amount USD 35 958 thousand (31 December 2018: USD 42 999 thousand) which is equal to the net assets value of Semela Limited (Note 16).

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. Refer to Note 15.

In relation to the Borrowings detailed above in the section “Assets pledged and restricted” the Company accepted an obligation to comply with certain covenants and conditions.

At 31 December 2019 and 2018 the Group was in compliance with main covenants.

Share based payments to employees. As at 31 December 2019 and 2018 there is no liability from the directors’ share based payments plan.

Derivatives. The Group uses derivatives to manage interest rate and currency risk. Derivative financial instruments have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The valuation of the derivatives is performed based on discounted cash flows models. The key inputs to the models are the interest rate curves and future foreign exchange rates which are based on the market information. The valuations are performed internally and for interest rate swap and interest rate cap contracts values are validated against the valuations of the transactions obtained independently from the counterparty banks.

At 31 December 2019 the Group had interest rate swap contracts with a total notional amount of USD 114 990 thousand (the RR amount of 7 118 540 thousand) (31 December 2018: USD Nil). At 31 December 2019 the negative fair value of these contracts was USD 1 054 thousand (31 December 2018: USD Nil).

At 31 December 2019 the Group had interest rate cap contracts with a total notional amount of USD 239 970 thousand (31 December 2018: USD 298 430 thousand) whereby the Group fixes the highest level of the floating part of the interest rate. At 31 December 2019 the positive fair value of these contracts was USD 56 thousand (31 December 2018: USD 672 thousand).

At 31 December 2019 the Group had a currency swap contract with a total notional amount of USD 177 651 thousand (the RR amount of 10 997 591 thousand) (31 December 2018: USD 162 198 thousand) whereby the Group was paying fixed rate interest in EUR in exchange for fixed rate interest in Russian Rouble. At 31 December 2019 the positive fair value of this contract was USD 13 203 thousand (31 December 2018: the negative fair value of USD 25 182 thousand).

27 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values have been determined by the Group using available market information, when such information exists and is considered a reliable indicator, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market (Note 2). Market quotations may be outdated or reflect distressed sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Valuation of investment properties. The fair value of investment properties represents Level 3 measurement. In determining the fair value of the Group's investment property, management have regard to reports of independent appraisers who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category (Refer to Note 3).

Since the information on current or recent prices of comparable investment properties was limited, the fair value of investment properties was determined mainly using discounted cash flow valuation techniques. The Group used assumptions that were mainly based on market conditions existing and contracted rental agreements as at each reporting date. Changes in assumptions used in the valuation techniques could affect reported fair values.

The methodology used for the valuation of investment property has not changed since 31 December 2018.

27 Fair Value (Continued)

The valuation technique, inputs used in the fair value measurement of the investment property and premises, and related sensitivity to reasonably possible changes in those inputs were as follows at 31 December 2019:

In thousands of US Dollars	**Valuation technique**	**Inputs used**	**Range of inputs**	**Reaso-nable change (% of input)**	**Sensitivity of fair value measurement**	**Fair value**
				+10 %	(151 600)	3 088 500
		Discount rates	10.0 - 11.0%	-10 %	162 400	
		Estimated rental	270-620 USD/	+10 %	230 800	
Yielding	Discounted	value	sq.m.	-10 %	(225 200)	
Investment	Cash Flow	Exit capitalization		+10 %	(159 900)	
property	Technique	rates	8.25 - 9.0%	-10 %	195 500	
				+10 %	(3 820)	25 590
		Discount rates	15.5% -18.5%	-10 %	4 110	
		Estimated rental			10 070	
		value/ Expected	300-2 150	+10 %		
Investment	Discounted	sq.m price	USD/sq.m.	-10 %	(10 070)	
property under	Cash Flow	Exit capitalization		+10 %	(3 400)	
development	Technique	rates	9.0%	-10 %	4 100	
Total fair value of investment property per valuation reports at 31 December 2019 (Note 7)						**3 114 090**

The valuation technique, inputs used in the fair value measurement of the investment property, including premises, and related sensitivity to reasonably possible changes in those inputs were as follows at 31 December 2018:

In thousands of US Dollars	**Valuation technique**	**Inputs used**	**Range of inputs**	**Reaso-nable change (% of input)**	**Sensitivity of fair value measurement**	**Fair value**
				+10 %	(159 900)	3 195 200
		Discount rates	10.0 - 12.0%	-10 %	171 400	
			240-620	+10 %	247 800	
	Discounted	Estimated rental value	USD/ sq.m.	-10 %	(247 300)	
Yielding Investment	Cash Flow			+10 %	(168 900)	
property	Technique	Exit capitalization rates	8.25 - 9.75%	-10 %	206 500	
				+10 %	(3 730)	24 020
		Discount rates	17.0-20.0%	-10 %	4 230	
	Discounted	Expected sq.m price			9 610	
Investment property	Cash Flow	Estimated rental value/	290-2100	+10 %		
under development	Technique	Expected sq.m price	USD/ sq.m.	-10 %	(9 500)	
		Exit capitalization rates	9%	+10 %	(3 200)	
				-10 %	4 000	
Total fair value of investment property per valuation reports at 31 December 2018 (Note 7)						**3 219 220**

27 Fair Value (Continued)

Refer to Note 7 for information on movements in fair value of the investment property. The sensitivity of fair value measurement to change of inputs is estimated by adjusting the variable and assuming that other variables remain the same.

During the year 2019 and 2018 there were no reclassifications from or into Level 3 measurements.

All gain/(loss) from valuation of investment property included unrealised as well as realised gain/(loss) from disposed investment property and presented in net gain from fair value adjustment on investment property line in the consolidated statement of profit and loss and other comprehensive income.

All gain/(loss) from revaluation of owner occupied premises is unrealised and presented in revaluation of property, plant and equipment line in consolidated other comprehensive income.

Cash and cash equivalents. Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Financial assets carried at amortised cost (Level 3). The estimated fair value of financial assets carried at amortised cost is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Interest rates used depend on the perceived credit risk of the counterparty and ranged at 31 December 2019 from 2.25% p.a. to 16.65% p.a. (2018: from 4% p.a. to 14% p.a.).

Liabilities carried at amortised cost (Level 3). The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Interest rates used ranged from 2.1% p.a. to 13.10% p.a. (2018: from 4.45% p.a. to 13% p.a.).

Financial instruments and other investments carried at fair value. At 31 December 2019 and 2018 all derivative financial instruments were valued using valuation techniques (Discounted Cash Flow) with inputs observable in markets which is Level 2 measurement. At 31 December 2019 and 2018 other investments were valued using quoted prices (unadjusted) on active markets, which is Level 1 measurement. Refer to Note 26.

The comparison of the fair value and the carrying value of main assets and liabilities carried at amortised cost was as follows:

	31 December 2019		**31 December 2018**	
In thousands of US Dollars	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Loans issued (Level 3)	283 692	282 683	227 709	227 496
Trade and other receivables (Level 3)	12 207	12 207	11 450	11 450
Cash and cash equivalents (Level 2)	34 397	34 397	39 787	39 787
Loans from banks (Level 3)	2 184 574	2 210 506	2 045 522	1 996 460
Loans from other companies and individuals (Level 3)	8 194	8 814	970	1 132
MOEX EUR bonds (Level 3)	391 127	391 127	385 224	385 224
MOEX Rouble bonds (Level 3)	38 862	37 960	35 649	33 282
Eurobonds (Level 3)	347 583	347 583	351 747	351 747
Lease liabilities (Level 3)	26 154	26 154	23 000	23 000
Tenant deposits (Level 3)	46 976	46 030	45 594	44 234
Trade and other payables (Level 3)	10 720	10 720	12 655	12 655

27 Fair Value (Continued)

All of the Group's financial liabilities except for derivative financial instruments were carried at amortised cost.

28 Presentation of Classes of Financial Instruments with Measurement Categories

At 31 December 2019 and 2018 all of the Group's financial assets were included in category at amortised cost except for derivative financial instruments and investments in Funds which are measured at fair value through profit or loss. All of the Group's financial liabilities except for derivative financial instruments were carried at amortised cost. At 31 December 2019 and 2018 all derivative financial instruments of the Group were classified as at fair value through profit and loss.

29 Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if they are under common control, or if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

29 Related Party Transactions (Continued)

The outstanding balances with related parties were as follows:

In thousands of US Dollars	31 December 2019			31 December 2018		
	Immediate shareholders (excluding key management personnel)	**Companies under significant influence of ultimate controlling shareholder**	**Key management personnel and companies under their significant influence**	**Immediate shareholders (excluding key management personnel)**	**Companies under significant influence of ultimate controlling shareholder**	**Key management personnel**
Loans issued	42 124	-	2 624	-	-	-
Trade and other payables	-	-	(128)	-	-	(579)
Dividends	(222)	(1 364)	-	(221)	(1 364)	-

The income and expense items with related parties for the period were as follows:

In thousands of US Dollars	For the year ended 31 December 2019				2018			
	Immediate shareholders (excluding key management personnel)	**Companies under significant influence of ultimate controlling shareholder**	**Joint venture**	**Key management personnel**	**Immediate shareholders (excluding key management personnel)**	**Companies under significant influence of ultimate controlling shareholder**	**Joint venture**	**Key management personnel**
Rental revenue	-	-	-	-	-	823	502	-
Salaries and bonuses	-	-	-	(1 556)	-	-	-	(1 653)
Other operating expenses	-	-	-	(233)	-	-	-	(74)
Social contribution	-	-	-	(215)	-	-	-	(4)
Interest income	-	-	-	-	136	-	5 475	-
Interest expense	-	-	-	-	(26)	(208)	(62)	-

29 Related Party Transactions (Continued)

In addition the Group guaranteed obligations of related parties and pledged shares in certain subsidiaries in relation to liabilities of related parties (Notes 1,16 and 17).

During 2018 year and from 1 January 2019 till 8 July 2019 non-controlling interests in companies holding Legenda Tsvetnogo and Icube properties were held by related companies.

30 Non-Controlling Interest

The non-controlling interest that is material to the Group is represented by the non-controlling interest in Legenda Tsvetnogo and ICube projects.

At 31 December 2019 the total consolidated assets of Legenda Tsvetnogo project which includes Gunilla Limited and its subsidiaries, amounted to USD 374 811 thousand represented mainly by the yielding investment property and the total consolidated liabilities amounted to USD 290 278 thousand represented mainly by the borrowing from the bank (31 December 2018: USD 356 380 thousand and USD 267 726 thousand respectively). For the year ended 31 December 2019 Legenda Tsvetnogo project had USD 28 307 thousand revenue and USD 16 312 thousand loss (2018: USD 25 154 thousand and USD 12 899 thousand profit respectively).

At 31 December 2019 the total consolidated assets of ICube project which includes Mistalda Limited and its subsidiaries, amounted to USD 121 377 thousand represented mainly by the yielding investment property and the total consolidated liabilities amounted to USD 158 940 thousand represented mainly by the borrowing from the bank (31 December 2018: USD 90 927 thousand and USD 119 470 thousand respectively). For the year ended 31 December 2019 ICube project had USD 5 129 thousand revenue and USD 9 724 thousand loss (2018: USD 3 590 thousand revenue and USD 10 332 thousand loss respectively).

The non-controlling interest that is immaterial to the Group with the negative carrying value USD 910 thousand (31 December 2018: negative carrying value USD 571 thousand) is represented by the non-controlling interest in Greendale project.

31 Acquisitions and Disposals.

Disposal of Zarechie. On 15 June 2018 the Group sold its 100% interest in Filmotinia Ventures LTD (Cyprus) which owns 100% interest in Zarechie LLC (Russia), company which owns the office center Zarechie in Moscow.

The details of the assets and liabilities disposed and financial result arising were as follows:

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	23
Prepayments	46
Trade and other receivables	1 653
Current income tax prepayments	613
Deferred tax assets	5 653
Investment property	63 382
Borrowings	(57 759)
Land lease liability	(1 845)
Deferred rental income	(1 255)
Trade and other payables	(1 057)
Carrying value of identifiable net assets of subsidiaries disposed	**9 454**
Result on disposal	**-**
Add: Reclassification of effect of translation to presentation currency	2 485
Net gain from disposal, including reclassification of currency translation reserve on disposal of subsidiary	**2 485**
Total sale consideration	**9 454**
Less: Cash and cash equivalents of subsidiary disposed	(23)
Inflow of cash and cash equivalents on disposal	**9 431**

31 Acquisitions and Disposals (Continued)

Disposal of Avrasis. On 16 June 2018 the Group sold its 100% interest in Moonbow Limited (Cyprus) which owns 100% interest in Avrasis Ltd (Cyprus), the company which owns the office center Avrasis and residential property under construction in Moscow .

The details of the assets and liabilities disposed and financial result arising were as follows:

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	865
Loans issued	16 989
Prepayments	3 424
VAT recoverable	1 201
Trade and other receivables	3 116
Residential property under construction	22 916
Deferred tax assets	9 961
Investment property	58 921
Borrowings	(42 633)
Tenant deposits	(870)
Deferred tax liability	(12 629)
Deferred rental income	(1 660)
Current income tax liabilities	(63)
Trade and other payables	(21 690)
Carrying value of identifiable net assets of subsidiaries disposed	**37 848**
Result on disposal	**-**
Add: Reclassification of effect of translation to presentation currency	1 695
Net gain from disposal, including reclassification of currency translation reserve on disposal of subsidiary	**1 695**
Total sale consideration	**37 848**
Less: Cash and cash equivalents of subsidiary disposed	(865)
Less: Non-cash consideration	(7 940)
Inflow of cash and cash equivalents on disposal	**29 043**

Non-cash consideration represents the transfer of the consideration shareholding in Mumford Limited (Cyprus) which has rights for apartments with the market value RR 497 696 thousand or USD 7 940 thousand at the exchange rate of the disposal date.

Disposal of Joint Venture. On 16 June 2018 the Group sold its 100% interest in Blandid Limited (Cyprus) which owns a 50.1% interest in Solorita Holding Limited (Cyprus) and Enlor Limited (Cyprus). Solorita Holding Limited owns a 100% interest in Dipotravi Holdings Limited (Cyprus), Gisoral Holdings Limited (Cyprus) and Asabelle Limited (Cyprus). At the date of disposal Asabelle Limited owns Finance Marekkon Limited (Cyprus) and Enlor Limited (Cyprus) owns Nezoral Limited (Cyprus) and Merissania Limited (Cyprus). Nezoral Limited (Cyprus), Merissania Limited (Cyprus) and Finance Marekkon Limited (Cyprus) own the office center Bolshevik in Moscow.

On the same date the Group sold its 100% interest in Collins Crest Limited (BVI) which owns a a 50.1% interest in Bayroad Group Limited (BVI) which owns 100% interest in Silvershade Limited (Cyprus) and 99.706% interest in Bolshevik JSC (Russian Federation).

31 Acquisitions and Disposals (Continued)

The details of the assets and liabilities disposed and financial result arising were as follows:

In thousands of US Dollars	**Carrying amount**
Cash and cash equivalents	928
Loans issued	7 318
Prepayments	11 088
VAT recoverable	1 913
Trade and other receivables	1 978
Current income tax prepayments	553
Residential property under construction	62 814
Deferred Tax Asset	799
Investment property	261 725
Borrowings	(297 979)
Tenant deposits	(3 036)
Land lease liability	(8 340)
Deferred tax liability	(1 318)
Deferred rental income	(2 932)
Trade and other payables	(87 037)
Carrying value of identifiable net assets of joint venture disposed	**(51 526)**
Carrying value of identifiable net assets of joint venture attributable to the Group	-
Gain on disposal	**2 015**
Less: Reclassification of effect of translation to presentation currency	(6 860)
Net loss from disposal, including reclassification of currency translation reserve on disposal of joint venture	(4 845)
Total sale consideration	**2 015**
Inflow of cash and cash equivalents on disposal	**2 015**

Other disposals. During the year ended 31 December 2019 the Group also sold a number of minor subsidiaries (Isida LLC, O1 Standart JSC and Granisforth Investments Limited) which do not have a material impact on its consolidated financial statements. During the year ended 31 December 2019 the net loss from these disposals, including reclassification of the negative currency translation reserve on disposal in the amount USD 1 040 thousand, was USD 1 073 thousand.

During the year ended 31 December 2018 the Group also sold a number of minor joint venture companies and subsidiaries (Blackheart Limited, Kolston Group Limited, Teplovik LLC, Diamondreef Limited and Jale Holdings limited) which do not have a material impact on its consolidated financial statements. During the year ended 31 December 2018 the net gain from these disposals, including reclassification of the negative currency translation reserve on disposal in the amount USD 105 thousand, was USD 625 thousand.

32 Subsequent Events

Refer to Note 2 for the information on significant changes in foreign currency exchange rates during 2020.

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and “locking-down” cities/regions or even entire countries. These measures have slowed down the economies in Russian Federation, Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019. However its possible impact is further discussed in Notes 2 and 3.

In March 2020 the Group was in breach of its coupon payment in respect of the Eurobonds, issued by the Group in the amount of USD 350 million.

Since the end of March 2020 the Group has been engaged in discussions with current banks creditors with a view to negotiate a consensual debt service review.