



PJSC LSR Group

**Consolidated Financial Statements
for the year ended 31 December 2022**

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JSC “Kept”

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The logo for JSC "Kept" features the word "kept" in a lowercase, bold, sans-serif font. The letters are a deep purple color. The 'k' and 'p' have a distinctive shape, with the 'k' having a long vertical stem and the 'p' having a rounded bottom.

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of PJSC LSR Group (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Audited entity: PJSC LSR Group

Registration number in the Unified State Register of Legal Entities: No. 5067847227300

Independent auditor: JSC “Kept”

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition on real estate development under IFRS 15	
Please refer to the Note 3(l) and 12 in the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
The Group derives most of its revenue from real estate development that is recognized over time based on the extent to which the performance obligation has been satisfied (input method). This method involves the use of significant professional judgement and assumptions to predict the total expected costs of a construction project. Completion cost estimation is inherently uncertain due to the volatility of the economic environment, possible changes in project parameters and the length of the operating cycle.	Our audit procedures for revenue on real estate development included, but were not limited to: - on a sample basis, we analyzed the reasonableness of changes in planned construction costs in the current period and critically assessed the explanations received; - on a sample basis we compared budgets used to determine progress towards complete satisfaction of the performance obligation with the characteristics of construction projects; - on a sample basis we compared input data used in the calculations to underlying contracts with customers; - on a sample basis we agreed costs incurred to the supporting documentation; - we tested the arithmetic accuracy of the calculations of the progress towards complete satisfaction of a performance obligation; - we considered the appropriateness of the Group's disclosures in the Notes 3(l) and 12.

Valuation of unique objects of inventories of development	
Please refer to the Note 3(l) and 12 in the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
The Group's inventories include unique properties for which there is a limited active market. In the consolidated financial statements, the inventories are measured at the lower of cost and net realisable value which is the forecasted selling price less the estimated costs of completion and sale. The recoverability of unique properties is a key audit matter due to the materiality of inventory balances and application of a significant professional judgment in estimating net realizable value.	Our audit procedures for unique properties included, but were not limited to: - we performed an analysis of the compliance of the method used by the Group for estimating the net realizable value of unique properties with the requirements of IFRS; - we assessed whether the Group's key assumptions used in the discounted cash flow models, including rental growth rate, occupancy rates, costs and discount rate, were appropriate, realistic and achievable by comparing the forecast with historical financial results and publicly available market data; - on a sample basis, we have engaged our valuation specialists to test the reasonableness of the assumptions and methods used by the Group and verify that they are consistent with market and industry trends; - we have verified the accuracy of the input data used in the discounted cash flow model, including leasable area, occupancy rate, current rental rates and operating expenses, by reconciling on a sample basis with source documents.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Igor Yagnov

Principal registration number of the entry in the Register of Auditors and Audit organizations No. 21906109192, acts on behalf of the audit organization based on the power of attorney No. 421/22 as of 1 July 2022

JSC "Kept"

Principal registration number of the entry in the Register of Auditors and Audit Organizations No. 12006020351

Moscow, Russia

17 March 2023

PJSC LSR Group
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2022

mln RUB	Note	2022	2021
Revenue	12	139,662	130,515
Cost of sales		(80,288)	(77,762)
Gross profit		59,374	52,753
Distribution expenses		(10,301)	(7,453)
Administrative expenses	7	(14,146)	(13,232)
Share of loss of equity-accounted investees (net of income tax)	15	(45)	-
Other income	8	62	263
Other expenses	8	(547)	(656)
Results from operating activities		34,397	31,675
Finance income	10	2,359	2,554
Finance costs	10	(17,878)	(10,953)
Profit before income tax		18,878	23,276
Income tax expense	11	(5,515)	(7,004)
Profit for the year		13,363	16,272
Other comprehensive loss			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		(897)	(18)
Total comprehensive income for the year		12,466	16,254

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 16 to 91.

PJSC LSR Group
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2022

mIn RUB	Note	2022	2021
Profit attributable to:			
Shareholders of the Company		13,366	16,266
Non-controlling interest		(3)	6
Profit for the year		13,363	16,272
Total comprehensive income attributable to:			
Shareholders of the Company		12,469	16,248
Non-controlling interest		(3)	6
Total comprehensive income for the year		12,466	16,254
Earnings per share			
Basic earnings per share	22	161.98 RUB	170.83 RUB
Diluted earnings per share	22	135.39 RUB	170.83 RUB

These consolidated financial statements were approved by management on 17 March 2023 and were signed on its behalf by:


 A.Y. Molchanov
 Chief Executive Officer


 D.V. Kutuzov
 Chief Financial Officer

mIn RUB	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	30,907	27,042
Intangible assets	14	4,252	4,264
Equity-accounted investees	15	405	-
Other investments	16	487	328
Deferred tax assets	17	3,975	3,710
Trade and other receivables	19	537	198
Total non-current assets		<u>40,563</u>	<u>35,542</u>
Current assets			
Other investments	16	3,832	6,000
Inventories	18	255,604	195,720
Contract assets, trade and other receivables	19	91,108	56,142
Cash and cash equivalents*	20	25,109	55,472
Total current assets		<u>375,653</u>	<u>313,334</u>
Total assets		<u>416,216</u>	<u>348,876</u>

* In Cash and cash equivalents is not included cash received to escrow accounts by the authorized bank from the accounts owners (the real estate buyers). This cash on escrow accounts was received as the settlement of the share participation agreements' price in the amount of RUB 76,529 million as at 31 December 2022 (31 December 2021: RUB 45,017 million).

mln RUB	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	21	35	35
Treasury shares		(20,947)	(13,669)
Share premium		26,408	26,408
Additional paid-in capital		16,852	16,870
Foreign currency translation reserve		(478)	419
Retained earnings		74,874	62,764
Total equity attributable to the shareholders of the Company		96,744	92,827
Non-controlling interest		57	180
Total equity		96,801	93,007
Non-current liabilities			
Loans and borrowings	23	114,055	135,846
Deferred tax liabilities	17	5,206	5,290
Trade and other payables	25	19,268	7,465
Provisions	24	29	21
Total non-current liabilities		138,558	148,622
Current liabilities			
Loans and borrowings	23	101,033	33,441
Contract liabilities, trade and other payables	25	64,777	60,980
Provisions	24	15,047	12,826
Total current liabilities		180,857	107,247
Total liabilities		319,415	255,869
Total equity and liabilities		416,216	348,876

mIn RUB	2022	2021
OPERATING ACTIVITIES		
Profit for the year	13,363	16,272
Adjustments for:		
Depreciation and amortisation	1,863	1,940
(Gain) / loss on disposal of property, plant and equipment	(56)	210
Gain on disposal of subsidiaries	-	(72)
Equity-settled share-based payment	978	358
Loss of equity-accounted investees, net of income tax	45	-
Portion of excess of fair value over purchase price of assets	2	1
Capitalised interest, including significant financing component in respect of prepayments from customers, recognized in cost of sales	2,306	2,185
Significant financing component in respect of prepayments from customers and benefit of escrow loans recognised in revenue	(4,972)	(2,981)
Net finance costs	15,519	8,399
Income tax expense	5,515	7,004
Operating profit before changes in working capital and provisions	34,563	33,316
Increase in inventories net of non-cash items	(53,288)	(42,791)
Increase in contract assets, trade and other receivables	(34,277)	(26,133)
Increase / (decrease) in contract liabilities, trade and other payables	1,902	(8,518)
Increase / (decrease) in provisions	49	(360)
Cash flows utilised by operations before income taxes and interest paid	(51,051)	(44,486)
Income taxes paid	(6,508)	(3,497)
Interest paid	(13,002)	(8,061)
Cash flows utilised by operating activities*	(70,561)	(56,044)
For reference:		
Cash flows utilised by operating activities, including cash on escrow accounts	(39,049)	(23,022)

* In Cash flows from operations is not included cash received to escrow accounts by the authorized bank from the accounts owners (the real estate buyers). This cash on escrow accounts was received as the settlement of the share participation agreements' price during the year ended 31 December 2022 in the amount of RUB 31,512 million (year ended 31 December 2021: RUB 33,022 million).

mln RUB	2022	2021
INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	152	973
Interest received	1,324	1,616
Acquisition of property, plant and equipment	(5,371)	(5,989)
Acquisition of intangible assets	(23)	(26)
Loans given	(5,971)	(5,982)
Loans repaid	822	405
Acquisition of subsidiaries	-	(765)
Cash flows utilised by investing activities	(9,067)	(9,768)
FINANCING ACTIVITIES		
Proceeds from borrowings	221,702	115,839
Proceeds from bonds	-	15,000
Repayment of borrowings	(162,480)	(63,122)
Repayment of bonds	(6,762)	(3,892)
Payment of land lease liabilities	(1,437)	(806)
Payment for treasury shares acquired	(1,150)	(11,596)
Acquisition of minority interest	(138)	-
Dividends paid	-	(3,922)
Cash flows from financing activities	49,735	47,501
Net decrease in cash and cash equivalents	(29,893)	(18,311)
Cash and cash equivalents at the beginning of the year	55,472	73,803
Effect of exchange rate fluctuations on cash and cash equivalents	(470)	(20)
Cash and cash equivalents at the end of the year (note 20)	25,109	55,472

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 16 to 91.

mIn RUB	Attributable to shareholders of the Company								
	Share capital	Treasury shares	Share premium	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2021	35	(2,073)	26,408	16,859	437	50,062	91,728	-	91,728
Total comprehensive income									
Profit for the year	-	-	-	-	-	16,266	16,266	6	16,272
Other comprehensive loss									
Foreign currency translation differences for foreign operations	-	-	-	-	(18)	-	(18)	-	(18)
Total comprehensive income for the year	-	-	-	-	(18)	16,266	16,248	6	16,254
Transactions with owners recorded directly in equity									
Acquisition of subsidiaries (contribution)	-	-	-	-	-	-	-	189	189
Excess of minority interest acquired over consideration paid	-	-	-	11	-	-	11	(15)	(4)
Treasury shares acquired	-	(11,596)	-	-	-	-	(11,596)	-	(11,596)
Dividends to shareholders	-	-	-	-	-	(3,922)	(3,922)	-	(3,922)
Equity-settled share-based payment	-	-	-	-	-	358	358	-	358
Balance at 31 December 2021	35	(13,669)	26,408	16,870	419	62,764	92,827	180	93,007

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 16 to 91.

mIn RUB	Attributable to shareholders of the Company								
	Share capital	Treasury shares	Share premium	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2022	35	(13,669)	26,408	16,870	419	62,764	92,827	180	93,007
Total comprehensive income									
Profit for the year	-	-	-	-	-	13,366	13,366	(3)	13,363
Other comprehensive loss									
Foreign currency translation differences for foreign operations	-	-	-	-	(897)	-	(897)	-	(897)
Total comprehensive income for the year	-	-	-	-	(897)	13,366	12,469	(3)	12,466
Transactions with owners recorded directly in equity									
Excess of consideration paid over minority interest acquired	-	-	-	(18)	-	-	(18)	(120)	(138)
Treasury shares acquired	-	(7,278)	-	-	-	-	(7,278)	-	(7,278)
Equity-settled share-based payment	-	-	-	-	-	8,133	8,133	-	8,133
Transactions with owners recorded directly in equity	-	-	-	-	-	(9,389)	(9,389)	-	(9,389)
Balance at 31 December 2022	35	(20,947)	26,408	16,852	(478)	74,874	96,744	57	96,801

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 16 to 91.

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1 Background

(a) Organisation and operations

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

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

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

The Group’s major subsidiaries are detailed in note 31.

The Group is ultimately controlled by an individual, Andrey Molchanov. Related party transactions are detailed in note 30.

(b) Russian business environment

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

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. Since February 2022, after the recognition of the self-proclaimed Donetsk and Lugansk People’s Republics and the start of a special military operation in Ukraine by the Russian Federation, the above countries have imposed additional tough sanctions against the Government of the Russian Federation, as well as large financial institutions, legal entities and individuals in Russia. In addition, restrictions were imposed on the supply of various goods and services to Russian enterprises. Also, in the context of the imposed sanctions, a number of large international companies from the United States, the European Union and other countries discontinued, significantly reduced or suspended their own activities in the Russian Federation, as well as doing business with Russian citizens and legal entities.

In September 2022, partial mobilization was announced in the Russian Federation. Referendums were held in the recognized republics of Donetsk and Lugansk, as well as in the Zaporozhye and Kherson regions of Ukraine, which resulted in incorporation of the territories into the Russian Federation. As a result of these events further sanctions were imposed and there is a risk of increasing pressure on the Russian economy. In response to the above, the Government of the Russian Federation has introduced a set of measures, which are counter-sanctions, currency control measures, a number of key interest rate decisions and other special economic measures to ensure the security and maintain the stability of the Russian economy.

The imposition and subsequent strengthening of sanctions and the partial mobilization resulted in elevated economic uncertainty, including reduced liquidity and high volatility in the capital markets, volatility of the Rouble exchange rate and the key interest rate, a decrease in foreign and domestic direct

investments, difficulties in making payments for Russian Eurobond issuers, reduction of payable demand of the population and also a significant reduction in the availability of sources of debt financing.

In addition, Russian companies have virtually no access to the international stock market, the debt capital market and other development opportunities, which may lead to their increased dependence on the governmental support. The Russian economy is in the process of adaptation associated with the replacement of retiring export markets, a change in supply markets and technologies, as well as changes in logistics, supply and production chains.

It is difficult to assess the consequences of the imposed and possible additional sanctions as well as partial mobilization, in the long term, however, these events can have a significant negative impact on the Russian economy.

The wave-like nature of the spread of COVID-19 coronavirus infection continues to create additional uncertainty in the business environment.

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

2 Basis of preparation

(a) Statement of compliance

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

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

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

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

- Note 3 – useful lives of property, plant and equipment;
- Note 9 – share-based payment;
- Note 12 – revenue;
- Note 14 – impairment;
- Note 18 – inventories;
- Note 19 – allowances for trade receivables;
- Note 24 – provisions (for site finishing and environment restoration; warranty and litigation; for onerous contracts; for social infrastructure);
- Note 25 – trade payables (settlements for land plots);
- Note 29 – contingencies.

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

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

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs) (refer to note 4).

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

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – acquisition of subsidiary; and
- Note 26 (e) – financial instruments.

(e) Change in significant accounting policies

The Group has adopted Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37) from 1 January 2022. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The Group has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.

A number of amendments to the existing standards are effective from 1 January 2022 but they do not have a material effect on the Group's consolidated financial statements.

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).

3 Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their carrying amounts in the financial statements of the entities transferred. If these companies previously have not prepared IFRS financial statements, assets and liabilities are determined in accordance with IFRS 1. Any difference between the book value of net assets acquired and consideration paid is recognised as a contribution from, or distribution to, shareholders.

(iv) Acquisitions and disposals of non-controlling interests

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

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

(v) Transactions eliminated on consolidation

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

(b) Foreign currencies

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

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

(c) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion), the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

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

The Group has fixed rate bank loans for which the banks have the option to revise the interest rate following the change of key rate set by the CBR. The Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group considers these loans as in essence floating rate loans.

(iii) Modification of financial liabilities

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

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

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

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

- change the currency of the financial liability;

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

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

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

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

(v) Offsetting

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

(vi) Impairment of financial assets

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

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

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

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of impairment

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

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

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

(vii) Write off

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

(d) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity.

Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit of the transaction is presented in additional paid-in capital.

(e) Property, plant and equipment

Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

- Buildings and constructions 7 to 50 years;
- Machinery and equipment 5 to 29 years;
- Transportation equipment 5 to 20 years;
- Other fixed assets 3 to 20 years.

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

(f) Intangible assets

(i) Goodwill

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

Subsequent measurement

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

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

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

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

(g) Equity-accounted investees

Equity-accounted investees are recognized at cost on initial recognition. The cost of the investment includes the transaction costs.

The Group recognizes its share in profits and losses and other comprehensive income of the Equity-accounted investees in the consolidated financial statements.

In case the Groups' share in Equity-accounted investees' losses exceeds its share in the object, the carrying amount of its share (including any long-term investments) are impaired to zero and the following losses are not recognized by the Group, except the situations, when the Group accepted the investees obligations or performed reimbursements on its behalf.

(h) Right-of-use assets and lease liabilities

The Group leases municipal land plots for residential property construction.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently recognized in cost of sales based on the stage of completion.

In addition, the Group leases municipal land plots for placement of property, plant and equipment. The right-of-use asset for such land plots is classified as property, plant and equipment and is depreciated using the straight-line method.

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

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

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

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment.

The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

The Group presents right-of-use assets related to the lease of land plots for construction development in "inventories" and right-of-use assets related to land for property, plant and equipment within "property, plant and equipment" in the statement of financial position. The Group presents lease liabilities in "contract liabilities, trade and other payables" in the statement of financial position.

(i) Inventories

Inventories include work in progress, construction of buildings, lease rights, work in progress, raw materials and consumables and finished goods. As part of the work in progress, construction of buildings, investment rights are also taken into account, which include the costs of acquiring land, preparing the territory and developing project documentation.

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

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

The cost of work in progress, construction of buildings is determined based on direct costs of each building, land and lease rights acquisition costs, costs of social infrastructure, interest expense, including interest expense on realised savings on the use of escrow accounts recognized in the transaction price under the SPA and significant financing component expenses, and also other expenses directly attributable to the development project.

When performing construction of a residential real estate, the Group may assume additional obligations, including:

- delivery of certain properties to local authorities upon completion of construction, e. g., schools, kindergartens, free of consideration receivable;
- construction of certain infrastructure facilities, e. g., electricity, water supply and sanitation, roads.

If the fulfilment of the terms of such obligations is directly related to the construction of the residential real estate by the Group, construction costs are included in the total cost of construction of the building that these obligations relate to.

The Group's normal operating cycle for a construction project may exceed 12 months. Inventories are classified as current assets even when they are not expected to be sold within 12 months after the reporting date.

(i) Contract assets and liabilities

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

The escrow asset represents future savings on interest expenses on the concluded SPA.

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

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

(k) Impairment of non-financial assets

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

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

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

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

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

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

(l) Revenues

(i) Goods sold

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

Type of goods / services	Revenue recognition	Significant payment terms
Revenue under share participation agreements in development	Revenue is recognized in accordance with contracts' stage of completion	For projects implemented using escrow accounts, payment is made to escrow accounts opened with banks, for other projects to the Group's settlement accounts, as a rule, before the house is put into operation
Revenue under sales contracts in development	In case of complete readiness of the object revenue is recognized when control is transmitted to the customer (at the earliest from two events: act of acceptance signing or legal title registration)	Payment is normally received prior to the act of acceptance signing
Sale of finished goods	Revenue is recognized when control is transmitted to the customer	The bill is payable either before the dispatch or based on the period, stated in the contract
Construction and research services	Revenue is recognized in accordance with contracts' stage of completion	The services are paid based on the contracts' schedule
Tower crane services	Revenue is recognised over time	After the services are rendered (in the current month for the prior month)
Services	Revenue is recognized upon the stage of completion.	Based on the contract terms, normally - after the services has been rendered

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

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

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

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

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

The transaction price in sales to customers using the escrow accounts is determined taking into the account the economy from decrease in interest base rates on project financing depending on cash placed by customers on escrow accounts. Any change in initial estimate of such savings is recognized at the time when such change takes place. The transaction prices in sales of properties involving escrow accounts were determined taking into account savings on interest expense as a result of applying preferential interest rates compared to base rates stipulated in the credit facility agreements. Preferential interest rates are applied to project credit facility balances covered by funds placed by customers on escrow accounts. Rates are further reduced when the cash balances on escrow accounts exceed the amount of the loan received. The additional discount to the rate is classified as a variable fee and is included in the calculation of the transaction price only in the period of actual savings.

(ii) Services

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

(iii) Construction contracts and designing

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

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

(m) Employee benefits

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

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

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards program. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(n) Provisions

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

(i) Warranties

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

(ii) Site and environment restoration

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

(iii) Litigation provision

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

(iv) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract and an allocation of other direct costs. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(v) Provision for social infrastructure

The Group records provision in respect of the Group's obligation to construct social infrastructure that is necessary for the apartment buildings' tenants.

Provision is initially recognised in the amount of expected costs to construct social infrastructure discounted for the year of the social infrastructure objects' construction. Subsequently the provision is decreased by the actually incurred costs.

The costs for the social infrastructure objects construction are initially recognized in inventories and subsequently are included into the cost of sales based on the stage of construction completion and selling progress.

(o) Other expenses

(i) Social expenditure

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

(p) Finance income and finance costs

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

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

Interest expenses directly attributable to the cost of inventory, namely land plots for the construction of properties, or other qualifying assets, which require considerable time to be prepared for planned use or sale, are included in the cost of such assets until they are recognised in cost of sales.

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

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

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

(q) Income tax expense

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

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

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

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

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

(r) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. If there are potential ordinary shares, that are financial instruments or other contracts, that give their holder the right to receive ordinary shares, diluted earnings per share are calculated by increasing the weighted average number of shares by the weighted average number of the potential shares indicated.

(s) Segment reporting

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

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

(t) Government grants

Government grants are assistance by government in the form of transfers of resources in return for past or future compliance with certain conditions be the Group. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions.

Government grants in non-monetary form are initially recognized at fair value if there is reasonable assurance that these grants will be received and that the Group will comply with the conditions attaching to them, and subsequently are recognized systematically in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants in the form of loans received at a below-market interest rate in connection with guarantees provided by the state or compensation for a reduction in the interest rate to credit institutions is recognized as part of the accounting unit when determining the fair value of the loan and is accounted for as part of interest expenses.

(u) New Standards and Interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)***

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group accounts for deferred tax on leases applying the ‘integrally linked’ approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. The Group has not yet determined the outcome of the potential impact of these improvements on its financial position. The adoption of the amendments will not have any impact on retained earnings.

- ***Other standards***

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

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

4 Determination of fair values

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

(a) Property, plant and equipment

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

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

(b) Intangible assets

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

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

(c) Inventories

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

(d) Investments in equity and debt securities

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

(e) Contract assets, trade and other receivables

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

(f) **Non-derivative financial liabilities**

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

5 **Operating segments**

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

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

(a) **Operating segments**

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

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

Real Estate Development and Construction. The Real Estate and Construction business units specialize in the development of elite, mass-market and business class residential real estate and commercial real estate, panel construction, providing of construction contracting services, transportation of construction materials. These business units are located in Saint Petersburg, Moscow and Ural region.

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

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

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

(b) Major customers

Revenues from the largest customer of the Group represents approximately RUB 2,828 million (year ended 31 December 2021: RUB 3,281 million).
 Revenue from the other four significant customers of the Group amounts approximately to RUB 5,294 million (year ended 31 December 2021: RUB 4,895 million).

(i) Operating segments

For the year ended

31 December 2022

mln RUB	Building Materials	Real Estate Development and Construction	Other entities	Total
Revenue from external customers	21,417	107,992	1,846	131,255
Inter-segment revenue	3,376	343	-	3,719
Total segment revenue	24,793	108,335	1,846	134,974
Segment result	5,721	34,947	-	40,668
Depreciation/amortisation	1,094	538	231	1,863
Capital expenditure	969	542	4,119	5,630

For the year ended

31 December 2021 (recalculated)

mln RUB	Building Materials	Real Estate Development and Construction	Other entities	Total
Revenue from external customers	20,253	102,962	1,056	124,271
Inter-segment revenue	546	177	-	723
Total segment revenue	20,799	103,139	1,056	124,994
Segment result	3,859	32,469	-	36,328
Depreciation/amortisation	1,170	499	271	1,940
Capital expenditure	1,433	600	4,180	6,213

As at 31 December 2022

mIn RUB	Building Materials	Real Estate Development and Construction	Total
Segment assets	22,511	355,598	378,109
Segment liabilities	5,965	99,028	104,993

As at 31 December 2021 (recalculated)

mIn RUB	Building Materials	Real Estate Development and Construction	Total
Segment assets	22,465	293,469	315,934
Segment liabilities	5,802	95,410	101,212

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

Revenue

mIn RUB	2022	2021
Total revenue for reportable segments	134,974	124,994
Other revenue	2,571	1,486
Transportation revenue	5,836	4,758
Elimination of intersegment revenue	(3,719)	(723)
Consolidated revenue	139,662	130,515

Profit for the year

mIn RUB	2022	2021
Total segment result	40,668	36,328
Other result	(620)	364
Unallocated expenses and income, net	(5,651)	(5,017)
Finance income	2,359	2,554
Finance costs	(17,878)	(10,953)
Income tax expense	(5,515)	(7,004)
Consolidated profit for the year	13,363	16,272

Assets	31 December 2022	31 December 2021
mln RUB		
Segment assets, excluding net financial position	378,109	315,934
Elimination of intersegment assets	(1,729)	(5,193)
Unallocated assets	39,836	38,135
Total assets	416,216	348,876
Liabilities		
mln RUB		
Segment liabilities, excluding net financial position	104,993	101,212
Elimination of intersegment liabilities	(12,038)	(22,765)
Consolidated loans and borrowings	215,088	169,287
Unallocated liabilities	11,372	8,135
Total liabilities	319,415	255,869
Other material items		
mln RUB		
Capital expenditure	5,630	6,213
Elimination of intersegment purchases	51	(6)
Consolidated capital expenditure	5,681	6,207

6 Acquisitions and disposals of subsidiaries and non-controlling interests

(a) Acquisition of subsidiaries

During the year ended 31 December 2022 the Group has not acquired any subsidiaries

In June 2021 one of the Group subsidiaries acquired 87.18% of shares of JSC “Sanatorium “Sestroretsky Kurort” from the third parties. The acquired entity provides sanatorium, medical and resort services. The entity is located in Saint Petersburg’s resort area, at the Gulf of the Finland’s shore. The entity was included in segment “Other”. The primary reason of the business acquisition was the strategic extension and diversification of the business activities.

(b) Disposal of subsidiaries

During the year ended 31 December 2022 and the year ended 31 December 2021 the Group has not disposed any subsidiaries.

(c) Changes in non-controlling interests

During the year ended 31 December 2022 the Group acquired an additional interest in a number of subsidiaries from third parties. The Group recognised a decrease in non-controlling interest of RUB 120 million. Distribution from shareholders of RUB 18 million was recognised directly in equity.

During the year ended 31 December 2021 the Group has not acquired an additional interest.

7 Administrative expenses

mIn RUB	2022	2021
Wages and salaries	9,829	7,223
Services	1,555	1,370
Social expenditure	753	1,229
Taxes other than profit tax	731	606
Depreciation and amortisation	178	234
Materials	176	149
Insurance	28	31
Overhead expenses on finished projects	-	1,512
Other administrative expenses	896	878
	<u>14,146</u>	<u>13,232</u>

8 Other income and expenses

mIn RUB	2022	2021
Other income:		
Gain on disposal of property, plant and equipment	56	-
Gain on disposal of other assets	6	27
Gain on disposal of subsidiaries	-	72
Other income	-	164
Total other income	62	263
Other expenses:		
Loss on disposal of property, plant and equipment	-	(210)
Other expenses	(547)	(446)
Total other expenses	(547)	(656)
Net other expenses	(485)	(393)

9 Total personnel costs and share-based payment

mIn RUB	2022	2021
Wages and salaries:		
Cost of sales	8,881	7,191
Administrative expenses	9,829	7,223
Distribution expenses	374	314
	19,084	14,728

Administrative expenses for the year ended 31 December 2022 include equity-settled share-based payments of RUB 358 million in accordance with a long-term motivation program (the year ended 31 December 2021: RUB 358 million) and equity-settled share-based payments of RUB 775 million in accordance with a long-term motivation program. Total specified administrative expenses in 2022 are RUB 1,133 million (in 2021: RUB 358 million)

In 2018 the Group has in general approved a long-term motivation program for its key employees. The program's period covers 2019-2023 financial years. However, during the 2019 and 2020 financial years, the Group has been in process of establishing and approving the specific terms for the program.

In 2022 the Group has approved a new motivation program for its key employees.

The programs entitles key management and senior personnel to a certain number of the Group's shares, which depends on the participants' annual salary and position within the Group.

The shares will be distributed in case of successful implementation new motivation program in 2023 and a long-term motivation program in 2024, if certain financial and non-financial indicators will be achieved.

10 Finance income and finance costs

mIn RUB	2022	2021
Recognised in profit or loss		
Finance income		
Interest income	2,116	2,503
Gain from recovery of financial assets / write-off of financial liabilities	208	-
Unwind of discount	22	23
Foreign exchange gain	6	28
Other financial income	7	-
	<u>2,359</u>	<u>2,554</u>
Finance costs		
Interest expense	(12,298)	(8,556)
Interest expense (significant financing component and effect from beneficial rates applies to escrow loans)	(4,372)	(1,628)
Unwind of discount	(809)	(418)
Change in allowance recognised for doubtful debts	(270)	(62)
Foreign exchange loss	(107)	(48)
Loss from write-off financial assets	-	(213)
Other finance costs	(22)	(28)
	<u>(17,878)</u>	<u>(10,953)</u>
Net finance costs recognised in profit or loss	<u>(15,519)</u>	<u>(8,399)</u>
Recognised in other comprehensive income		
Finance costs		
Foreign currency translation differences for foreign operations	(897)	(18)
Finance costs recognised in other comprehensive income, net of tax	(897)	(18)

In addition to borrowing costs recognised as an expense during the year ended 31 December 2022, interest in the amount of RUB 1,421 million (31 December 2021: RUB 814 million) has been capitalized using a capitalization rate of 8.95% (31 December 2021: 7.36%) as part of the work in progress, construction of buildings.

In addition to interest expense (significant financing component), recognized as finance costs during the year ended 31 December 2022, interest expense in the amount of RUB 207 million (31 December 2021: RUB 274 million) has been capitalized as part of the work in progress, construction of buildings.

In addition to unwind of discount on long-term payables for land plots and lease rights, recognized as finance costs during the year ended 31 December 2022, unwind of discount in the amount of RUB 306 million (31 December 2021: RUB 112 million) has been capitalized as part of the work in progress, construction of buildings.

11 Income tax expense

mIn RUB	2022	2021
<i>Current tax expense</i>		
Current year	5,842	4,516
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(327)	2,488
Income tax expense	5,515	7,004

The majority of the Group activities are taxed in Russia at a corporate income tax rate of 20.00% (2021: 20.00%).

Reconciliation of effective tax rate:

	2022		2021	
	mIn RUB	%	mIn RUB	%
Profit for the year	13,363	70	16,272	69
Income tax expense	5,515	30	7,004	31
Profit before income tax	18,878	100	23,276	100
Income tax at applicable tax rate	3,776	(20)	4,655	(20)
Non-taxable income	(230)	1	(43)	-
Non-deductible expenses	1,474	(8)	1,291	(6)
Derecognition of previously recognised deductible temporary difference	543	(3)	1,118	(5)
Tax incentives	(48)	-	(17)	-
Total income tax expense for the year	5,515	(30)	7,004	(31)

12 Revenue

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

mIn RUB	2022	2021
Revenue recognized over time under share participation agreements (refer to note 3 (l) (i))	95,479	86,124
Revenue recognized over time under long-term construction contracts (refer to note 3 (l) (iii))	4,814	3,579
Revenue recognized over time under automated services contracts, (refer to note 3 (l) (ii))	872	639
Total revenue recognised over time	101,165	90,342
Total revenue recognized at a point in time	38,497	40,173
Total revenue	139,662	130,515

The significant financing component as part of the transaction price recognised in revenue from sales of real estate for 2022 amounted to RUB 1,407 million (for 2021: 1,912 million). For most of the construction contracts, there is no significant financing component due to the fact that the period between receipt of payment and the fulfillment of the obligation or part of the obligation under the contracts with customers, corresponding to the payment, does not exceed 12 months, and the Group applies a practical expedient.

The significant financing component in the transaction price in contracts with customers concluded in 2022, was calculated using interest rates from 6.65% to 11.17% (2021: from 6.76% to 8.22%).

The transaction prices in sales of properties involving escrow accounts were determined talking into account savings on interest expense as a result of applying preferential interest rates compared to base rates stipulated in the credit facility agreements. Preferential interest rates are applied to project credit facility balances covered by funds placed by customers on escrow accounts. Rates are further reduced when the cash balances on escrow accounts exceed the amount of the loan received. As a result, the actual interest rate was less than 1% in certain periods. Savings on interest expense recognized in revenue in 2022 amounted to RUB 3,565 million (2021: RUB 1,068 million).

During 2022, the Group compensated banks for a portion of interest expense on mortgage loans issued by the banks at lower interest rates than the banks' customary market rates to customers who had purchased real estate from the Group. This consideration has decreased the transaction price for the sale of real estate. The reduction in revenue from the sale of real estate related to these refunds in 2022 amounted to RUB 1,481 million (2021: nil).

Total revenue recognised over time for year ended 31 December 2022 includes revenue of the Real Estate and Construction business units in amount of RUB 100,293 million and the Building materials business units in amount of RUB 872 million (for year ended 31 December 2021: the Real Estate and Construction business units – RUB 89,703 million, the Building materials business units – RUB 639 million).

Total revenue recognised at a point in time for year ended 31 December 2022 includes revenue of the Real Estate and Construction business units in amount of RUB 8,042 million, the Building materials business units in amount of RUB 23,921 million and Other entities in amount of RUB 1,846 million (for year ended 31 December 2021: the Real Estate and Construction business units – RUB 13,436 million, the Building materials business units – RUB 20,160 million, Other entities – RUB 1,056 million).

Revenue segregated by product type is presented below:

mIn RUB	2022	2021
Sand	1,471	1,174
Crushed Granite	5,535	3,352
Fleet services	73	216
Ready-mix Concrete	3,328	3,304
Brick	5,406	3,629
Aerated Concrete	4,512	7,750
Tower crane services	1,092	828
Sales of Residential Property and Construction services provision	107,992	102,962
Other	10,253	7,300
Total consolidated revenue	139,662	130,515

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

mIn RUB	31 December 2022	31 December 2021
Receivables, which are included in “trade receivables”	3,644	5,090
Contract assets	57,271	27,067
Contract liabilities	(32,734)	(35,936)

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

The contract liabilities primarily relate to the advance consideration received from customers under participant agreements. For breakdown of contract liabilities by type of contracts, see note 25.

Significant changes in the liabilities balances during the periods are as follows:

mIn RUB	31 December 2022	31 December 2021
Increase due to cash received, excluding amount recognized as revenue during the period	15,345	19,607

mIn RUB	2022	2021
Revenue recognized that was included in the contract liability balance at the beginning of the period	22,622	30,973

The remaining aggregate amount of the transaction price allocated to the performance obligations under share participation agreements that are unsatisfied or partially unsatisfied as of the end of the reporting period and are expected to be recognized within the next two to three years equals to RUB 55,053 million (31 December 2021: RUB 60,895 million).

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

13 Property, plant and equipment

mIn RUB	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
Cost/Deemed cost						
At 1 January 2021	21,650	16,848	4,545	1,042	557	44,642
Acquisitions through business combinations	982	17	2	6	-	1,007
Additions	883	840	260	123	4,101	6,207
Disposals	(243)	(366)	(1,351)	(44)	(7)	(2,011)
Reclassifications from /(to) inventories	(61)	-	-	-	1,483	1,422
Transfers and reclassifications	98	369	24	-	(491)	-
Effect of movements in exchange rates	33	47	(38)	1	6	49
At 31 December 2021	23,342	17,755	3,442	1,128	5,649	51,316
At 1 January 2022	23,342	17,755	3,442	1,128	5,649	51,316
Additions	540	556	343	116	4,126	5,681
Disposals	(116)	(184)	(193)	(69)	(6)	(568)
Reclassifications from /(to) inventories	618	(1)	-	-	(12)	605
Transfers and reclassifications	27	159	-	4	(190)	-
Effect of movements in exchange rates	(255)	(358)	(36)	(6)	(191)	(846)
At 31 December 2022	24,156	17,927	3,556	1,173	9,376	56,188
Depreciation and impairment losses						
At 1 January 2021	(6,748)	(12,699)	(2,934)	(863)	-	(23,244)
Depreciation charge	(683)	(907)	(230)	(93)	-	(1,913)
Disposals	194	343	344	43	-	924
Effect of movements in exchange rates	(13)	(26)	(1)	(1)	-	(41)
At 31 December 2021	(7,250)	(13,289)	(2,821)	(914)	-	(24,274)

mln RUB	Land and buildings	Machinery and equipment	Transportation equipment	Other fixed assets	Assets under construction	Total
At 1 January 2022	(7,250)	(13,289)	(2,821)	(914)	-	(24,274)
Depreciation charge	(681)	(888)	(188)	(90)	-	(1,847)
Disposals	49	180	193	65	-	487
Effect of movements in exchange rates	107	217	25	4	-	353
At 31 December 2022	(7,775)	(13,780)	(2,791)	(935)	-	(25,281)

Net book value

At 1 January 2021	14,902	4,149	1,611	179	557	21,398
At 31 December 2021	16,092	4,466	621	214	5,649	27,042
At 31 December 2022	16,381	4,147	765	238	9,376	30,907

During the year ended 31 December 2022 depreciation expense of RUB 1,604 million has been charged in cost of goods sold (year ended 31 December 2021: RUB 1,614 million), RUB 59 million in distribution expenses (year ended 31 December 2021: RUB 68 million) and RUB 171 million in administrative expenses (year ended 31 December 2021: RUB 229 million).

(a) Impairment

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

(b) Security

Properties with a carrying amount of RUB 9,281 million are subject to a registered debenture to secure bank loans (31 December 2021: RUB 5,341 million) (refer to note 23).

(c) Lease rights

As at 31 December 2022, the net book value of lease rights included in property, plant and equipment, mostly land plots, was RUB 433 million (31 December 2021: RUB 317 million). Depreciation for the year ended 31 December 2022 amounted to RUB 14 million (year ended 31 December 2021: RUB 6 million). Information on lease agreements is also provided in note 27.

14 Intangible assets

	Goodwill	Other	Total
mIn RUB			
<i>Cost</i>			
Balance at 1 January 2021	3,522	929	4,451
Acquisitions through business combinations	145	1	146
Additions	-	26	26
Disposals	-	(1)	(1)
Balance at 31 December 2021	3,667	955	4,622
Balance at 1 January 2022	3,667	955	4,622
Additions	-	23	23
Disposals	-	(1)	(1)
Effect of movements in exchange rates	-	(6)	(6)
Balance at 31 December 2022	3,667	971	4,638
<i>Amortisation and impairment losses</i>			
Balance at 1 January 2021	(187)	(143)	(330)
Amortisation charge	-	(28)	(28)
Balance at 31 December 2021	(187)	(171)	(358)
Balance at 1 January 2022	(187)	(171)	(358)
Amortisation charge	-	(30)	(30)
Disposals	-	1	1
Effect of movements in exchange rates	-	1	1
Balance at 31 December 2022	(187)	(199)	(386)
<i>Net book value</i>			
At 1 January 2021	3,335	786	4,121
At 31 December 2021	3,480	784	4,264
At 31 December 2022	3,480	772	4,252

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

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

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

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

Entity / Business Unit mIn RUB	Operating Segment	31 December 2022			31 December 2021		
		Allocated goodwill	Impairment losses	Net book value	Allocated goodwill	Impairment losses	Net book value
BU LSR. Wall Materials (Aerated Concrete) JOINT-STOCK COMPANY "CONSTRUCTION CORPORATION "REVIVAL OF SAINT-PETERSBURG"	Building Materials	819	(164)	655	819	(164)	655
LSR.Construction-Urals Ltd	Real Estate and Construction	23	(23)	-	23	(23)	-
AO "Spetsializirovannyi zastroishchik "LSR.Nedvizhimost-Ural"	Real Estate and Construction	736	-	736	736	-	736
BU LSR.Basic Materials	Building Materials	1,277	-	1,277	1,277	-	1,277
BU LSR. Wall Materials (Brick)	Building Materials	155	-	155	155	-	155
JSC "Sanatorium "Sestroretsky Kurort"	Building Materials	512	-	512	512	-	512
	Other	145	-	145	145	-	145
		3,667	(187)	3,480	3,667	(187)	3,480

Impairment review was conducted by the Group as at 31 December 2022.

The following key assumptions were used in determining the recoverable amounts of the respective companies as at 31 December 2022 and have not significantly changed compared to those that were used as at 31 December 2021.

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

Segment "Building Materials":

- Cash flows were projected based on budgeted operating results for 2023 and three-five years business plans;
- Cash flows for further years were extrapolated assuming 2.00% further growth in production;
- Pre-tax discount rate of 14.50% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 48.54% at a market interest rate of 12.76% p.a. and an industry average beta-coefficient.

Segment “Real Estate and Construction”:

- Cash flows were projected based on budgeted operating results for 2023 and five years business plans;
- Plan for 2023 is prepared based on the actual contract portfolio and the actual prices;
- Cash flows for further years were assuming 2.00% further growth in production;
- Pre-tax discount rate of 19.55% was applied in determining the recoverable amount of the plants. The discount rate was estimated based on the Group weighted average cost of capital, which was based on a possible range of debt leveraging of 50.07% at a market interest rate of 10.56% p.a. and an industry average beta-coefficient.

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

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

15 Equity-accounted investees

In December 2021, the Group acquired a 50.00% in the authorized capital of LLC Fort-Invest for the implementation of a development project in Moscow. The total consideration for this amounted to RUB 450 million. The Group obtained lease rights to a land plot with a lease term until 28 July 2066 for the purpose of implementing a residential construction project. As at 31 December 2022, the Group has joint control of the company.

The following table summarises the financial information about the investment interest as included in this own financial statements, adjusted to fair value at the time of acquisition. The table also reconciles the summarised financial information with the carrying amount of the Group’s interest in the investment.

mln RUB	31 December 2022
Percentage ownership interest	50.00 %
Non-current assets	197
Current assets	2,733
Non-current liabilities	162
Current liabilities	1,958
Net assets	810
Group’s share of net assets	405
Carrying amount of interest in the investment	405

mln RUB	2022
Other income /(other expenses), net	32
Finance costs	(146)
Income tax income	24
Loss and total comprehensive income (100.00%)	(90)
Group's share of loss and total comprehensive income	(45)

16 Other investments

mln RUB	31 December 2022	31 December 2021
<i>Non-current</i>		
Investments at amortised cost:		
<i>Stated at cost</i>	17	24
Originated loans	470	304
	487	328
<i>Current</i>		
Originated loans	3,832	6,000
	3,832	6,000

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 26.

17 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

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

mIn RUB	Assets		Liabilities		Net	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Property, plant and equipment	(455)	(93)	1,350	1,066	895	973
Intangible assets	(1)	(5)	41	33	40	28
Inventories	(23,224)	(19,432)	1,376	897	(21,848)	(18,535)
Contract assets, trade and other receivables	(847)	(855)	2,048	885	1,201	30
Loans and borrowings	-	-	-	248	-	248
Contract liabilities, trade and other payables	(803)	(740)	24,773	22,251	23,970	21,511
Tax loss carry-forwards	(3,027)	(2,675)	-	-	(3,027)	(2,675)
Tax (assets)/liabilities	(28,357)	(23,800)	29,588	25,380	1,231	1,580
Set off of tax	24,382	20,090	(24,382)	(20,090)	-	-
Net tax (assets)/liabilities	(3,975)	(3,710)	5,206	5,290	1,231	1,580

Deferred tax assets on tax losses carry-forwards recognised as at 31 December 2022 represent tax effect of accumulated unused tax losses recoverable by the future taxable profit. In assessing recoverability of deferred tax assets on tax losses carry-forward the Group applied the same input data and assumptions as it used for impairment testing of goodwill and property, plant and equipment (refer to note 14). The major part of those tax losses relates to operating segments "Building Materials", "Other" and "Real Estate Development and Construction".

(b) Movement in temporary differences during the year

mln RUB	1 January 2022	Recognised in profit or loss	Acquired/ disposed	31 December 2022
Property, plant and equipment	973	(84)	6	895
Intangible assets	28	12	-	40
Inventories	(18,535)	(3,313)	-	(21,848)
Contract assets, trade and other receivables	30	1,171	-	1,201
Loans and borrowings	248	(248)	-	-
Contract liabilities, trade and other payables	21,511	2,459	-	23,970
Tax loss carry-forwards	(2,675)	(324)	(28)	(3,027)
	1,580	(327)	(22)	1,231

mln RUB	1 January 2021	Recognised in profit or loss	Acquired/ disposed	31 December 2021
Property, plant and equipment	330	450	193	973
Intangible assets	31	(3)	-	28
Inventories	(16,564)	(1,973)	2	(18,535)
Contract assets, trade and other receivables	(454)	524	(40)	30
Loans and borrowings	-	248	-	248
Contract liabilities, trade and other payables	18,744	2,767	-	21,511
Tax loss carry-forwards	(3,045)	475	(105)	(2,675)
	(958)	2,488	50	1,580

(c) Unrecognised deferred tax assets

There are no unrecognised deferred tax assets to the reporting dates.

18 Inventories

mIn RUB	31 December 2022	31 December 2021
Work in progress, construction of buildings	176,657	130,440
Finished goods, construction of buildings	35,342	30,800
Lease rights	21,779	16,266
Social infrastructure	14,829	12,284
Raw materials and consumables	4,426	3,808
Finished goods and goods for resale	2,175	1,767
Work in progress	1,337	989
	256,545	196,354
Less: allowance for obsolete inventory	(941)	(634)
	255,604	195,720

Work in progress, construction of buildings represents the expenditure incurred during the construction of buildings before they are put into operation, including land costs. The expenditure is financed by liabilities under share participation agreements (refer to note 25), loans and borrowings (refer to note 23), and profits of the developer.

Work in progress, construction of buildings with a carrying amount of RUB 124,162 million are expected to be completed in more than 12 months from the reporting date (31 December 2021: RUB 97,518 million).

Lease rights represent assets under land lease contracts and the amount paid to obtain the right of development of land plot which are capitalized into the cost of object upon completion of development. Lease rights are recognized at the present value of future cash outflows (refer to note 25).

Significant financing component, related to the real estate contracts under share participation agreements, with a carrying amount of RUB 599 million was capitalized as a part of work in progress, construction of buildings (31 December 2021: RUB 758 million).

Effect from beneficial rates applies to escrow loans with a carrying amount of RUB 462 million was capitalized as a part of work in progress, construction of buildings (31 December 2021: RUB 40 million).

Inventories with a carrying amount of RUB 42,942 million are subject to a registered debenture to secure bank loans (31 December 2021: RUB 14,348 million) (refer to note 23).

Inventories with a carrying amount of RUB 1,280 million are pledged to secure payments under the purchase contracts for land plots with payment by instalments (31 December 2021: RUB 1,280 million).

Social infrastructure represents the amount of expected costs for the social infrastructure objects' construction.

Unwind of discount on provision for social infrastructure in the amount of RUB 785 million (31 December 2021: RUB 231 million) has been capitalized as part of social infrastructure.

The following is movement in the allowance for obsolete inventory:

mln RUB	2022	2021
Balance at 1 January	634	770
Change in the allowance for obsolete inventory	307	(136)
Balance at 31 December	941	634

As at 31 December 2022 the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 941 million (31 December 2021: RUB 634 million) and the respective allowance was recognized in cost of sales. As at 31 December 2022 major part of the allowance of RUB 868 million (31 December 2021: RUB 578 million) relates to finished goods and goods for resale.

The net realizable value allowance was made based on the following key assumptions:

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

19 Contract assets, trade and other receivables

mIn RUB	31 December 2022	31 December 2021
Non-current		
Accounts receivable – trade	110	194
Other receivables	427	4
	537	198
Current		
Assets under share participation agreements	56,649	26,782
Prepayments to suppliers	25,542	20,126
Asset on escrow	2,737	1,254
Accounts receivable – trade	2,133	3,322
Receivables under share participation agreements	1,401	1,574
VAT receivable	598	524
Assets under construction contracts	622	285
Notes receivable	195	197
Income tax receivable	100	214
Deferred expenses	80	89
Employee receivables	5	2
Other receivables	2,428	2,978
	92,490	57,347
	(1,382)	(1,205)
Provision for doubtful debtors	91,108	56,142

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 26.

20 Cash and cash equivalents

mln RUB	31 December 2022	31 December 2021
Petty cash	7	5
Current accounts	22,365	54,392
Call deposits	2,737	1,075
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	25,109	55,472
Cash on escrow accounts	76,529	45,017
Cash and cash equivalents including cash on escrow accounts	101,638	100,489

Cash on escrow accounts

The cash on escrow accounts, which are not reflected in the consolidated statement of financial position of the Group, represent funds, received by authorized bank from the real estate buyers as the settlement of the share participation agreements' price.

In accordance with the changes in the Federal Law №214-FZ that has come in effect as at 1 July 2019, the financing received by the developer from the customers under share participation agreements is received to the authorized bank accounts. The developer has no longer access to these funds but can obtain bank loans that are secured by those funds at the lower interest rates. The access to these funds is obtained only upon the corresponding constructions' completion. The developer reflects those funds "off balance" and discloses for information purposes only within cash on escrow accounts.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

The Group's ability to use funds on current accounts is not restricted by the covenant disclosed in note 23.

21 Equity

(a) Share capital

Number of shares unless otherwise stated

<i>Number of shares unless otherwise stated</i>	Ordinary shares	
	31 December 2022	31 December 2021
Par value	RUB 0.25	RUB 0.25
On issue at beginning of the year	103,030,215	103,030,215
On issue at end of the year, fully paid	103,030,215	103,030,215

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

(b) Treasury shares

The treasury shares comprises the cost of the Company's shares held by the Company. At the reporting date the Company held 25,009,112 of its own shares (31 December 2021: 17,745,112).

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Standards. As at 31 December 2022 the Company had unaudited retained earnings, including the profit for the current year, of RUB 23,506 million (as at 31 December 2021: RUB 16,602 million).

(d) Other transactions with owner

Transactions with owners recorded directly in equity in amount of RUB 9,389 million represent accruals in favor of the ultimate beneficial owner of the Group under the new motivation program for its key employees and discounting to its fair value of the loan issued to the owner.

22 Earnings per share

The calculation of earnings per share is based on profit attributable to the shareholders of the Company divided by the weighted average number of ordinary shares outstanding during the year, and by the weighted average number of dilutive potential ordinary shares, refer to note 21 (a).

	2022	2021 (recalculated)
Issued shares at 1 January	103,030,215	103,030,215
Effect of own shares held	(20,517,090)	(7,812,685)
Weighted average number of shares for the year ended 31 December	82,513,125	95,217,530
Effect of share based payments	16,203,971	-
Weighted average number of shares with dilution for the year ended 31 December	98,717,096	95,217,530

23 Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, refer to note 26.

mIn RUB	31 December 2022	31 December 2021
Non-current		
Secured bank loans	6,581	46,189
Project bank loans	48,198	8,532
Unsecured bank loans	37,531	55,713
Unsecured bond issues	20,200	25,400
Reconstruction loans	1,545	12
	114,055	135,846
Current		
Secured bank loans	42,155	6,421
Project bank loans	9,214	2,995
Unsecured bank loans	44,464	16,767
Unsecured bond issues	5,200	6,762
Unsecured other loans	-	496
	101,033	33,441

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

mIn RUB	Currency	Nominal interest rate	Year of maturity	31 December 2022		31 December 2021	
				Face value	Carrying amount	Face value	Carrying amount
Secured facility	RUB	7.19% - 11.35%	2023 - 2025	48,736	48,736	52,610	52,610
Project facility	RUB	0.01% - 12.16%*	2023 - 2029	63,069	57,412	12,766	11,527
Reconstruction facility	RUB	4.00% - 4.50%	2036	3,321	1,545	42	12
Unsecured facility	RUB	4.25% - 14.24%	2023 - 2029	107,395	107,395	105,138	105,138
				222,521	215,088	170,556	169,287

* Loan facilities to finance the construction of residential buildings at an interest rate, depending on the amount of cash received to escrow accounts from the real estate buyers.

As at 31 December 2022 the Group entered into a number of loan agreements subsidized by the government in the amount of RUB 3,321 million with annual interest rates of 4.00% - 4.50%. The loans are to be repaid in 2036.

The Group determined that the interest rates for an equivalent loan issued on an arm's length basis without government grants would have been 12.00% - 13.32%. The Group concluded that the difference between the interest rate is government assistance that is intended to compensate the Group for interest expense that would otherwise be incurred if the loans were not subsidized under the financial support scheme. This government assistance is recognised and measured as part of the unit of account in determining the fair value of the loan. There are no unfulfilled conditions or contingencies for the government assistance at 31 December 2022.

Changes in liabilities arising from financing activities were as follows:

mIn RUB	1 January 2022	Changes from financing activities		Other movements	31 December 2022
		Received	Paid		
Bank and other loans	137,125	221,702	(162,480)	(6,659)	189,688
Bond issued	32,162	-	(6,762)	-	25,400
	169,287	221,702	(169,242)	(6,659)	215,088

mIn RUB	1 January 2021	Changes from financing activities		Other movements	31 December 2021
		Received	Paid		
Bank and other loans	81,573	115,839	(63,122)	2,835	137,125
Bond issued	21,054	15,000	(3,892)	-	32,162
	102,627	130,839	(67,014)	2,835	169,287

Covenants and other matters

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

- a limitation on the Group’s ability to incur additional debt beyond certain financial ratios;
 - maintaining by the Group’s of some of financial coefficients on a fixed level;
 - subject to certain exceptions, a prohibition restricting the Group ability to issue significant borrowings, provide guarantees or indemnities to the third party;
 - an obligation to provide to the Banks with such financial and other information, the Banks may reasonably require in relation to the loan contracts, including the Group’s annual audited and unaudited consolidated financial statements, prepared in accordance with IFRS.
- Credit arrangements for unsecured bank loans of RUB 9,065 million (31 December 2021: RUB 14,011 million) require Group to keep the ratio of bank account opened in the bank-lender to loan principal at no less than one.

The Group complies with covenants described above.

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUB 9,281 million is pledged as collateral to secure bank loans (31 December 2021: RUB 5,341 million) – refer to note 13 (b).
- Inventories with a carrying amount of RUB 42,942 million are pledged as collateral to secure bank loans (31 December 2021: RUB 14,348 million) – refer to note 18.

Bank loans are secured by the pledge of the following shares in subsidiary companies as at 31 December 2022:

- 99.99% of “Specialized developer “Soymonovskiy, 3” Ltd,
- 100% of OOO “Primorskaya”,
- 99.99% of OOO “Spetsializirovanny zastroyshchik “LSR. Klyuchi”,
- 100% of JSC “Sanatorium “Sestroretsky kurort”,
- 93.83% of AO “Pansionat “Kristall”,
- 95.83% of JSC “Sanatorium “Volna”.

24 Provisions

mln RUB	Site finishing	Environment restoration	Litigation provision	Provision for social infra-structure	Total
Current					
Balance at 1 January 2022	261	12	63	12,490	12,826
Provisions made during the year	272	10	146	2,942	3,370
Provisions used during the year	(266)	(4)	(75)	(1,547)	(1,892)
Unused provisions	(23)	-	(19)	-	(42)
Unwind of discount	-	-	-	785	785
Balance at 31 December 2022	244	18	115	14,670	15,047

Non-current

Balance at 1 January 2022	-	21	-	-	21
Provisions made during the year	-	8	-	-	8
Balance at 31 December 2022	-	29	-	-	29

mln RUB	Site finishing	Environment restoration	Litigation provision	Provision for social infra-structure	Total
Current					
Balance at 1 January 2021	445	17	152	8,573	9,187
Provisions made during the year	193	-	78	4,324	4,595
Provisions used during the year	(125)	(5)	(102)	(1,236)	(1,468)
Unused provisions	(252)	-	(65)	-	(317)
Unwind of discount	-	-	-	231	231
Provisions reclassified based on terms during the year	-	-	-	598	598
Balance at 31 December 2021	261	12	63	12,490	12,826

mIn RUB	Site finishing	Environment restoration	Litigation provision	Provision for social infrastructure	Total
Non-current					
Balance at 1 January 2021	-	103	-	598	701
Provisions made during the year	-	9	-	-	9
Provisions used during the year	-	(70)	-	-	(70)
Unused provisions	-	(21)	-	-	(21)
Provisions reclassified based on terms during the year	-	-	-	(598)	(598)
Balance at 31 December 2021	-	21	-	-	21

(a) Site finishing

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

(b) Environment restoration

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

(c) Litigation provision

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

(d) Provision for social infrastructure

The Group records provisions in respect of the Group's obligation to construct social infrastructure that is necessary for the apartment buildings' tenants. Provision for social infrastructure is discounted as at 31 December 2022 at rate 9.89% (31 December 2021: 8.45%).

25 Contract liabilities, trade and other payables

mIn RUB	31 December 2022	31 December 2021
Non-current payables		
Accounts payable – trade	11,870	6,685
Liabilities under lease contracts	3,202	751
Other payables	4,196	29
	19,268	7,465
Current payables		
Contract liabilities under share participation agreements	29,827	33,797
Accounts payable – trade	20,471	16,861
Employee-related liabilities	4,981	2,204
Taxes and other payables to the budget	1,767	1,394
Advances from customers under other contracts	1,733	1,488
Interest payable	1,383	803
Liabilities under construction contracts	1,174	651
Liabilities under lease contracts	810	867
Income tax payable	763	1,543
Other payables	1,868	1,372
	64,777	60,980

Non-current trade payables include payables to be repaid in instalments. Payables for land plots were discounted at the obligation's recognition date at rates in the range of 7.53% - 11.20%.

Non-current accounts payable – trade include additional payables for acquired land plots of RUB 4,128 million (31 December 2021: RUB 3,605 million).

The amount of additional payables is estimated based on the projected premises' square meter selling prices and construction volumes.

The estimate of payments for land plots acquisition is largely sensitive to the change in expected market prices of premises in the buildings under construction.

The carrying amount of account payable for land plots as at 31 December 2022 is estimated based on increase of expected price per square meter by 3.96% and 3.97% annually. The increase of expected price of premises constructed on such land plots by 5.00% per square meter annually would have led to the increase of accounts payable for land plots acquisition by RUB 410 million. The analysis assumes that all other variables, in particular sales volumes, remain constant.

Other non-current accounts payable include long-term interest payable of RUB 2,472 million and government grants of RUB 1,724 million (refer to note 23).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

26 Financial risk management

(a) Overview

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

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

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

Risk management framework

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

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

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

(b) Credit risk

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

About 92% of the Group's cash and cash equivalents are held in the top rated banks, which are included in the list of Russia's key financial institutions. The most significant cash balances are deposited in JSC Russian Agricultural Bank and PJSC Sberbank.

(i) Contract assets, trade and other receivables

Trade receivables from the largest five debtors of the Group represents approximately RUB 568 million (31 December 2021: RUB 966 million) of the Group's total Trade receivables. Geographically there is concentration of credit risk as the most significant part of Group's operations is located in Russia.

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

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

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

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

The bank's credit rating is used for calculating expected credit losses (ECL) under contracts with customers for the sale of premises using escrow accounts opened in an authorized bank.

(ii) Investments

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

Exposure to credit risk

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

mln RUB	Carrying amount	
	31 December 2022	31 December 2021
Other investments at amortised cost	17	24
Loans and receivables	13,237	14,937
Assets under share participation agreements	56,649	26,782
Cash and cash equivalents	25,109	55,472
	95,012	97,215

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

mln RUB	Carrying amount	
	31 December 2022	31 December 2021
Domestic	2,182	3,445
Euro-zone countries	2	10
Other CIS countries	17	2
	2,201	3,457

The Group's most significant trade debtor accounts represents for RUB 163 million of the trade receivables carrying amount at 31 December 2022 (31 December 2021: RUB 257 million).

The total amount of impaired trade receivables at the reporting date was RUB 42 million (31 December 2021: RUB 59 million).

The ageing of trade receivables at the reporting date was:

mIn RUB	Gross 31 December 2022	Impairment 31 December 2022	Gross 31 December 2021	Impairment 31 December 2021
Not past due	946	-	2,925	-
Past due 0-30 days	375	-	220	-
Past due 31-60 days	137	-	110	-
Past due 61-90 days	76	-	55	-
Past due more than 90 days	709	(42)	206	(59)
	<u>2,243</u>	<u>(42)</u>	<u>3,516</u>	<u>(59)</u>

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

mIn RUB	2022	2021
Balance at 1 January		(27)
Reversal / Impairment (loss)	(59)	(32)
Balance at 31 December	17	(59)
	<u>(42)</u>	<u>(59)</u>

The impairment loss at 31 December 2022 relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and internal analysis on the underlying customers' credit ratings.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables, receivables under share participation agreements, assets under share participation agreements and originated loans as at 31 December 2022. In order to assess the expected credit losses, the Group defines internal credit rating for the counterparties that do not have external credit ratings. The internal credit rating is defined based on the counterparties' financial stability analysis, the counterparties' interactions and settlements record, the counterparties' participations in lawsuits and other available risk factors. The credit rating was reduced for many customers to reflect the negative impact of elevated economic uncertainty.

mIn RUB	Equivalent to external credit rating (Agency Moody's)	Gross carrying amount	Impairment loss allowance	Credit-impaired
Grades 1-6: <i>Low risk</i>	Baa3- to Aaa	-	-	No
Grades 7-9: <i>Fair risk</i>	B1 to Ba1	69,887	-	No
Grade 12: <i>Loss</i>	D	1,095	(1,095)	Yes
		<u>70,982</u>	<u>(1,095)</u>	

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables, receivables under share participation agreements, assets under share participation agreements and originated loans as at 31 December 2021.

mIn RUB	Equivalent to external credit rating (Agency Moody's)	Gross carrying amount	Impairment loss allowance	Credit-impaired
Grades 1–6: <i>Low risk</i>	Baa3– to Aaa	21	-	No
Grades 7–9: <i>Fair risk</i>	Ba3 to Ba1	14,916	-	No
Grade 12: <i>Loss</i>	D	1,152	(1,152)	Yes
		16,089	(1,152)	

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

mIn RUB	2022	2021
Balance at 1 January		(1,209)
Impairment (loss) / reversal	(1,146)	63
Balance at 31 December	(1,341)	(1,146)

(c) Liquidity risk

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

The Group uses cash flow budgets which are prepared for each year and quarter to forecast potential liquidity deficit and identify sources of covering that deficit. As at 31 December 2022 the Group's undrawn credit facilities amount is RUB 133,269 million (31 December 2021: RUB 111,055 million).

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

31 December 2022 mIn RUB	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	Contractual	Effective				
Secured bank loans:						
RUB*	7.19% - 11.35%	8.56%	37,155	5,631	-	42,786
	CBR rate + 1.47% -					
RUB	CBR rate + 1.62%	8.99%	5,000	950	-	5,950
Project bank loans						
RUB*	0.01% - 12.16%	12.36%	9,214	46,193	2,005	57,412
Reconstruction loans						
RUB*	4.00% - 4.50%	12.92%	-	-	1,545	1,545
Unsecured bank loans:						
RUB*	4.25% - 14.24%	9.12%	35,980	13,081	10,000	59,061
	CBR rate - 1.25% -					
RUB	CBR rate + 3.30%	9.42%	8,484	14,450	-	22,934
Unsecured bond issues:						
RUB*	8.00% - 8.65%	8.44%	5,200	20,200	-	25,400
Trade and other payables		-	24,532	14,359	713	39,604
Future interest**		-	12,976	21,619	1,947	36,542
			138,541	136,483	16,210	291,234

*Fixed rate

** Future interest contains not charged, expected interest. Future interest does not reflect current payables of the Group. Future interest is calculated based on current credit facilities, which the Group had on 31 December 2022.

31 December 2021 mln RUB	Average interest rate		Less than 1 year	1-5 years	Over 5 years	Total
	Contractual	Effective				
Secured bank loans:						
RUB*	6.10% - 10.51%	8.07%	6,421	41,189	-	47,610
RUB	CBR rate + 1.47%	9.97%	-	5,000	-	5,000
Project bank loans						
RUB*	0.01%	9.45%	2,995	8,532	-	11,527
Reconstruction loans						
RUB*	4.00%	12.50%	-	-	12	12
Unsecured bank loans:						
RUB*	4.25% - 10.10%	7.09%	15,601	42,479	-	58,080
RUB	CBR rate + 1.25% - CBR rate + 2.10%	10.06%	1,166	13,234	-	14,400
Unsecured bond issues:						
RUB*	8.00% - 9.65%	8.53%	6,762	25,400	-	32,162
Unsecured other loans:						
RUB*	0.20% - 18.00%	12.49%	496	-	-	496
Trade and other payables		-	19,903	2,801	4,635	27,339
Future interest**		-	13,424	10,561	1,069	25,054
			66,768	149,196	5,716	221,680

*Fixed rate

** Future interest contains not charged, expected interest. Future interest does not reflect current payables of the Group. Future interest is calculated based on current credit facilities, which the Group had on 31 December 2021.

At the date this consolidated financial statements were approved, the management assessed the Group's liquidity position, taking into account the Russian Federation economic situation progress.

The management believes that even if the negative scenario is realized, the Group would not be forced to draw additional financing to meet its financial obligations.

As at 31 December 2022 the Group has in disposal the following resources in the amount of RUB 234,907 million: cash and cash equivalents, including escrow accounts in the amount of RUB 101,638 million and undrawn credit facilities in the amount of RUB 133,269 million.

The Group's operations are primarily located in Russian Federation, mainly with Russian suppliers and customers, therefore, the imposed sanctions do not influence the Group significantly.

Due to the subsidized mortgage loans' program was prolonged, as well as CBR rate ongoing reductions, the interest rates has also reduced, which in turn should stimulate the real estate demand.

For all its new development projects the Group will have the access to the customers' escrow accounts only upon the construction is completed. Thus, temporary reduction in demand on the real estate under construction will not significantly influence the Group's liquidity position in 2023. The projects on

their high completion's stage, in which the management expects to obtain the access to escrow accounts in 2023, as at 31 December 2022 are mostly sold out. The other projects are expected to be completed and escrow accounts access is expected to be obtained in the period from 2024 till 2026.

Based on the above mentioned factors, the management believes that the Group has sufficient resources and undrawn credit facilities to fulfill its obligations to the customers and creditors.

(d) Market risk

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

(i) Currency risk

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

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

Exposure to currency risk

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

31 December 2022

mIn RUB	EUR-denominated	USD-denominated
Contract assets, trade and other receivables	173	60
Originated loans	617	-
Contract liabilities, trade and other payables	(75)	-
Net exposure	715	60

31 December 2021

mIn RUB	EUR-denominated	USD-denominated
Contract assets, trade and other receivables	191	71
Originated loans	404	-
Contract liabilities, trade and other payables	(90)	(51)
Net exposure	505	20

The following significant exchange rates applied during the year:

	31 December 2022	31 December 2021
	RUB	RUB
1 USD equals	70.3375	74.2926
1 EUR equals	75.6553	84.0695

Sensitivity analysis

A 10.00% strengthening of RUB against the above currencies would have decreased profit by RUB 77 million. A 10.00% weakening of the RUB against the above currencies would have the equal but opposite effect on the basis that all other variables remain constant.

(ii) Interest rate risk

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

Profile

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

	Carrying amount
	31 December 2022
mln RUB	31 December 2021
Fixed rate instruments	
Financial assets	4,319
Financial liabilities	(186,204)
	6,328
	(149,887)
Variable rate instruments	(181,885)
Financial liabilities	(143,559)
	(19,400)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

mIn RUB	Profit or loss	
	100 bp increase	100 bp decrease
Year ended 31 December 2022		
Variable rate instruments	(289)	289
Cash flow sensitivity	(289)	289

(e) Fair values versus carrying amounts

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

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

31 December 2022	Note	Carrying amount	Level 1	Fair value Level 3	Total
mIn RUB					
Financial assets					
Other investments at amortised cost	16	17	-	17	17
Loans and receivables		13,237	-	13,237	13,237
		13,254	-	13,254	13,254
Financial liabilities					
Secured bank loans	23	(48,736)	-	(47,997)	(47,997)
Project bank loans	23	(57,412)	-	(59,405)	(59,405)
Reconstruction loans	23	(1,545)	-	(1,687)	(1,687)
Unsecured bank loans	23	(81,995)	-	(81,170)	(81,170)
Unsecured bond issues	23	(25,400)	(24,263)	-	(24,263)
Unsecured other loans	23	-	-	-	-
Trade and other payables	25	(39,604)	-	(39,604)	(39,604)
		(254,692)	(24,263)	(229,863)	(254,126)

31 December 2021	Note	Carrying amount	Level 1	Fair value Level 3	Total
mIn RUB					
Financial assets					
Other investments at amortised cost	16	24	-	24	24
Loans and receivables		14,937	-	14,937	14,937
		14,961	-	14,961	14,961
Financial liabilities					
Secured bank loans	23	(52,610)	-	(49,459)	(49,459)
Project bank loans	23	(11,527)	-	(11,022)	(11,022)
Reconstruction loans	23	(12)	-	(12)	(12)
Unsecured bank loans	23	(72,480)	-	(67,690)	(67,690)
Unsecured bond issues	23	(32,162)	(31,038)	-	(31,038)
Unsecured other loans	23	(496)	-	(498)	(498)
Trade and other payables	25	(27,339)	-	(27,339)	(27,339)
		(196,626)	(31,038)	(156,020)	(187,058)

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

	31 December 2022	31 December 2021
Loans and borrowings	10.75%	12.09%

(f) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of the transactions;
- requirements for the reconciliation and monitoring of the transactions;

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

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

(g) Capital management

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

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

	31 December 2022	31 December 2021
mIn RUB		
Total liabilities	319,415	255,869
Less: cash and cash equivalents	(25,109)	(55,472)
Net liabilities	294,306	200,397
 Total equity	 96,801	 93,007
Net liabilities to capital ratio	3.04	2.15

27 Leases liabilities

mln RUB

Leases liabilities as at 31 December 2021

Current

Non-current

Leases liabilities
1,618
867
751

Additions, lease modifications and effect of movements in exchange rates

Interest accrued

Lease payments, including interest

Total lease liabilities as at 31 December 2022

Current

Non-current

3,831
235
(1,672)
4,012
810
3,202

Variable lease payments not included in the measurement of lease liabilities

(803)

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

The following table sets out a maturity analysis of variable lease payments not included in the measurement of lease liabilities to be paid after the reporting date.

mln RUB

Less than 1 year

1-5 years

Over 5 years

Total

31 December 2022

467
1,003
1,635
3,105

31 December 2021 (recalculated)

601
970
1,430
3,001

28 Commitments

At 31 December 2022 the Group was committed to purchase and construct of property, plant and equipment for approximately RUB 24,505 million net of VAT (31 December 2021: RUB 658 million).