

**ETALON GROUP PLC**

**FINANCIAL STATEMENTS**

For the year ended 31 December 2023

ETALON GROUP PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2023

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## BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors	Sergey Egorov (appointed on 19 February 2019) Marina Ogloblina (appointed on 19 February 2019) Alexander Voloshin (appointed on 30 April 2021) Gennadii Shcherbina (appointed on 30 April 2021) Vitaly Pyltsov (appointed on 4 April 2022) Andreas Kryftis (appointed on 26 April 2023) Oleg Mubarakshin (appointed on 19 February 2019 and resigned on 16 February 2023) Maksim Berlovich (appointed on 27 April 2018 and resigned on 10 February 2023) Ganna Khomenko (appointed on 19 February 2019 and resigned on 25 April 2023) Charalampos Avgousti (appointed on 10 November 2016 and resigned on 21 April 2023) Boris Svetlichny (appointed on 15 April 2013 and resigned on 26 May 2023) Denis Vinokurov (appointed on 9 November 2018 and resigned on 26 May 2023)
Secretary	Petsas Fiduciary Services Limited Griva Digeni, 36, Georgiou&Thelmas Paraskevaides Foundation Building, 4 <sup>th</sup> floor office 403 1066 Nicosia Cyprus
Registered Office	2-4 Arch. Makariou III Avenue Capital Center, 9th floor 1065 Nicosia Cyprus
Independent auditors	NSP Sagehill Partners Ltd 50 Agias Zonis Street, Arianthi Court, 2nd Floor, 3090 Limassol Cyprus

## **MANAGEMENT REPORT**

The Board of Directors presents its report together with the audited financial statements of Etalon Group PLC (the “Company”) for the year ended 31 December 2023.

### **Country of incorporation**

Etalon Group PLC was registered in the Republic of Cyprus on 5 April 2017. Its registered office is 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus.

In April 2011, the Company completed an initial public offering and placed its ordinary shares in the form of global depository receipts (“GDR”) on the London Stock Exchange’s Main Market. Since the beginning of March 2022, LSE suspended trading in Etalon’s GDRs.

In 2017, the Company was re-domiciled from Guernsey to Cyprus.

### **Principal activities**

The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of financing to related parties.

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113.

### **Changes in group structure**

There were no changes in the group structure during the year ended 31 December 2023.

### **Review of developments, position and performance of the Company’s business**

The loss of the Company for the year ended 31 December 2023 was RUB’000 6,979,589 (2022: loss of RUB’000 16,228,699). The main source of loss for the period is the change in fair value of investments in subsidiaries in the amount of RUB’000 7,792,184 (2022: the change in fair value of investments of RUB’000 15,212,568).

On 31 December 2023, the total assets of the Company were RUB’000 91,257,159 (31 December 2022: RUB’000 98,308,924) and the net assets were RUB’000 88,543,930 (31 December 2022: RUB’000 95,523,519). Investment in subsidiaries was RUB’000 79,994,875 (31 December 2022: RUB’000 87,787,059).

The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

More details are set out on pages 15 and 16 (statement of financial position and statement of profit or loss and other comprehensive income).

### **Research and development activities**

The Company did not carry out any research and development activities during the year.

## MANAGEMENT REPORT (CONTINUED)

### Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in Note 3 of the financial statements.

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

### Use of financial instruments by the Company

The Company's activities expose it to a variety of financial risks: market price risk, currency risk, credit risk and liquidity risk.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board provides principles for overall risk management, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The detailed analysis of the Company's exposure to financial risks as at the reporting date and the measures taken by the Management in order to mitigate those risks are disclosed in Note 3 of the financial statements.

### Future developments of the Company

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future other than as further described below.

On 15 November 2023, the Company announced that its annual general meeting of shareholders ("AGM") will be held on 15 December 2023. Among other, the following resolutions have been approved at the AGM:

- The Company proceeds with deregistering from the Register of the Registrar of Companies in Cyprus and transferring its registered office to Special Administrative Region of Oktyabrskiy Island, Kaliningrad Region, Russian Federation and registering as a continuing company in the form of International public joint-stock company under the legal regime of the Russian Federation without being dissolved and without being re-incorporated. The head office of the Company in Special Administrative Region of Oktyabrskiy Island is proposed to be established not later than 9 months from the date of this resolution.
- With effect from the date of the registration of the Company as an international public joint-stock company ("IPJSC") in the Unified State Register of Legal Entities of the Russian Federation, the personal law of the Company shall be changed from Cypriot law to Russian law.
- The current Memorandum and Articles of Association of the Company shall be superseded by the new charter substantially in the form of the draft reviewed and considered by the shareholders from the date of registration of the Company as an international public joint-stock company subject to minor amendments, modifications or additions thereto as the Directors may deem fit.
- To approve by way of special resolution the change of name of the Company from the date of registration of the Company as an international public joint-stock company as follows:
  - (i) the full name of the Company in Russian: Международная компания публичное акционерное общество «Эталон Групп»;
  - (ii) the short name of the Company in Russian: МКПАО «Эталон Групп»;
  - (iii) the full name of the Company in English: Etalon Group International public joint-stock company;
  - (iv) the short name of the Company in English: Etalon Group IPJSC.
- With effect from the registration of the Company as an IPJSC (a) the par value of the Company's shares shall be denominated in RUB; (b) the charter capital of the Company shall be denominated in RUB; and (c) the par value of the Company's shares in RUB shall be equivalent to the par value of the shares of the Company in GBP at the official exchange rate set by the Bank of Russia as of 14 November 2023.

## **MANAGEMENT REPORT (CONTINUED)**

### **Share capital**

During the year ended 31 December 2023, there were no changes to the share capital of the Company.

### **Acquisition of own shares**

During 2023, the Company did not acquire own shares. As of 31 December 2023, the total number of own shares acquired by the Company in prior periods amounted to 3,946 or 0,001% of issued share capital.

### **Board of Directors**

The members of the Board of Directors of the Company at 31 December 2023 and at the date of this report are shown on page 1. The details of all appointment and resignations of Directors are shown on page 1.

### **The Ukrainian crisis**

Since the outbreak of the conflict in Ukraine on 24 February 2022, the US, UK, EU and other countries announced an extension of sanctions on certain Russian officials, businessmen and companies. These developments resulted in reduced access of Russian businesses to international capital, import and export markets, reduction in consumer demand and other negative economic consequences.

### **Independent Auditors**

On 16 November 2023, the Annual General Meeting of shareholders of the Company appointed NSP Sagehill Partners Ltd as auditor of the Company's statutory financial statements to hold office until the conclusion of the next annual general meeting and authorised the Board of Directors to fix the auditor's remuneration.

### **Branches**

The Company did not operate through any branches during the year ended 31 December 2023.

### **Dividends**

The challenging geopolitical circumstances, certain sanctional provisions and mutual restrictions, including on distribution of funds through international payment and clearing systems, have a significant impact on the Company's ability to pay out dividends to all groups of its shareholders. Based on the principle of equitable treatment of all shareholders, the Board of Directors of the Company resolved to postpone consideration of the matter of dividend payments until constraints currently in force are removed. The Annual General Meeting of shareholders that took place on 31 December 2023 neither considered nor approved any dividend payments for the financial year ended 31 December 2022.

## **CORPORATE GOVERNANCE REPORT**

### **Company's internal control and risk management in relation to the preparation of the financial statements**

The main documents regulating the activities of the Company are the Cyprus Companies Law, Cap. 113, the UKLA Listing, Prospectus and Disclosure and Transparency Rules, together with the Memorandum and Articles of Association of the Company. The Company has also enacted a number of governance policies and procedures to ensure that a proper system of corporate governance is in place, such as the Management Policy and Committee terms of reference.

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for making an assessment of the Company's ability to continue as a going concern, taking into account all available information about the future

## MANAGEMENT REPORT (CONTINUED)

### CORPORATE GOVERNANCE REPORT (CONTINUED)

and for disclosing any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Those charged with governance are responsible for implementation of internal control necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and in particular for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Audit Committee is responsible for monitoring the financial reporting process and the integrity of the Company's financial statements. It is also responsible for reviewing internal controls, overseeing how management monitors compliance with the Company's risk management policies and procedures, the effectiveness of the Company's Internal Audit function and the independence, objectivity and the effectiveness of the external audit process. The Audit Committee is also responsible for considering the terms of appointment and remuneration of the external auditor.

The Company believes that its financial reporting functions and internal control systems are sufficient to ensure compliance with the requirements of the FCA's Disclosure and Transparency Rules as a listed company and with the requirements of Cyprus Companies Law, Cap. 113.

#### Significant direct or indirect shareholdings

As at 31 December 2023 the Company is aware of the following interests in its share capital:

Shareholders	%
Free float	35,2%
PJSC AFK Sistema	48,8%
Mubadala Investment Company	6,3%
Kopernik Global Investors	5,0%
Prosperity Capital	4,1%
Management of the Company	0,6%
<b>Total</b>	<b>100%</b>

#### The holders of any shares with special control rights and a description of these rights

The Company does not have any shares with special control rights.

#### Restrictions in exercising of voting rights of shares

The 20.000 preference shares having the par value of GBP 1 each issued by the Company, bear no voting rights. The Company does not have any other restrictions in exercising of the voting rights of its shares.

#### The rules regarding the appointment and replacement of board members

The Company may by ordinary resolution appoint any person as a director and may by ordinary resolution of which special notice has been given, in accordance with sections 178 and 136 of the Cyprus Companies Law, cap. 113 (the Law), remove a director. Any such director will receive special notice of the meeting and is entitled to be heard at the meeting. Any director has to confirm in writing that he is eligible under the Law.

A director may resign from office as a director by giving notice in writing to that effect to the Company, which notice shall be effective upon such date as may be specified in the notice. The directors have the power from time to time, without sanction of the Company in general meeting, to appoint any person to be a director, either to fill a casual vacancy or as an additional director.

**MANAGEMENT REPORT (CONTINUED)**

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**The rules regarding the appointment and replacement of board members (continued)**

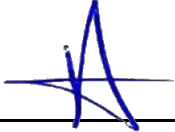
The office of a director shall be vacated if:

- (a) he becomes of unsound mind or an order is made by a court having jurisdiction (whether in Cyprus or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator or other person to exercise powers with respect to his property or affairs; or
- (b) he is prohibited from acting as director in accordance with section 180 of the Law; or
- (c) becomes bankrupt or makes any arrangement or composition with his creditors generally or otherwise has any judgment executed on any of his assets; or
- (d) he dies; or
- (e) he resigns his office by written notice to the Company; or
- (f) the Company removes him from his position in accordance with section 178 of the Law.

**The rules regarding the amendment of the articles of association**

Subject to the provisions of the Law, the Company may, by special resolution, alter or add to its articles of association. Any alteration or addition shall be as valid as if originally contained therein, and be subject in like manner to alteration by special resolution.

**By order of the Board of Directors,**



Andreas Kryftis  
Director




Nicosia, 26 April 2024



## Responsibility statement of the Directors and management of the Company in accordance with the Transparency Law

We, the members of the Board of Directors and the Company officials responsible for the drafting of the financial statements of ETALON GROUP PLC (the ‘Company’), the names of which are listed below, in accordance with the requirements of the Section 9 of the Transparency Requirements (Security Admitted to Trading) Law 190(I)/2007 (hereinafter the “Transparency Law”), as amended, confirm that we have complied with the requirements in preparing the financial statement and that to the best of our knowledge:

- (a) The annual financial statements for year ended 31 December 2023:
- (i) Have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in accordance with the provisions of section 9(4) of the Transparency Law and in accordance with Cyprus Companies Law, Cap.113;
  - (ii) Give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company included in the consolidated financial account, and
- (b) The Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company face. The management report provides a fair overview on information required as per Section 9(6)(a) of the Transparency Law.

SERGEY EGOROV, Chairman of the Board of Directors	
ANDREAS KRYFTIS, Member of the Board of Directors	
MARINA OGLOBLINA, Member of the Board of Directors	
ALEXANDER VOLOSHIN, Member of the Board of Directors	
VITALY PYLTSOV, Member of the Board of Directors	
GENNADII SHCHERBINA, Chief Executive Officer	
ILYA KOSOLAPOV, Chief Financial Officer	

26 April 2024



**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF ETALON GROUP PLC**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying parent company's financial statements of Etalon Group PLC (the "Company"), which are presented in pages 15 to 42 and comprise the statement of financial position as at 31 December 2023 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the parent company Etalon Group PLC as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We remained independent of the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to management report of the financial statements which describes the decisions taken on annual general meeting of the shareholders for redomiciliation of the Company from Cyprus to Russia. Our opinion is not modified in respect of this matter.

**Independent Auditor’s Report (continued)**

**To the Members of Etalon Group PLC**

**Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud**

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

<b>Why the matter was determined to be a key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p><b>Fair value of investments in subsidiaries</b></p> <p>As at 31 December 2023, the carrying value of the Company’s investments in subsidiaries is RUB’000 79.994.875 which represented 88% of the total assets of the Company. The fair value hierarchy of investments in subsidiaries belongs to Level 3 as a fair value measurement uses unobservable inputs that require significant adjustment.</p> <p>The Company’s accounting policy for investments in subsidiaries, disclosed in Note 2, is to measure them at fair value through profit or loss and significant estimates and judgments are disclosed in Note 4.</p> <p>Determination of fair value of investments in subsidiaries is a key audit matter given the significance of the balance and the significant degree of judgement involving estimations associated with the fair value assessment.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> <li>-we obtained understanding of key controls over processes and procedures for developing assumptions used;</li> </ul> <p><u>Valuation as of 30 September 2023</u></p> <ul style="list-style-type: none"> <li>-we reviewed the report by independent valuer on which the valuation as of 30 September 2023 was based;</li> <li>-evaluating, with the assistance of internal experts, the appropriateness of the methodology and the reasonableness of the valuation assumptions underlying the estimation of fair value of investments in subsidiaries as at 30 September 2023;</li> <li>-we assessed the competence, capabilities and objectivity of management’s third-party valuer, as well as independence;</li> <li>-evaluating the appropriateness of management’s business assumptions used in calculating the fair value of investments in subsidiaries including: <ul style="list-style-type: none"> <li>• assessing the appropriateness of the discount rate used;</li> <li>• reviewing, recalculating and critically assessing the reasonableness of the assumptions including: <ul style="list-style-type: none"> <li>• historical turnover and prices of sales in these and/or similar projects;</li> <li>• budgeted costs to complete construction;</li> <li>• budgeted general, administrative and selling expenses;</li> <li>• total area available for sale and actual sales occurring before 30 September 2023;</li> </ul> </li> </ul> </li> </ul>

**Independent Auditor’s Report (continued)**

**To the Members of Etalon Group PLC**

**Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud- Continued**

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
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**Fair value of investments in subsidiaries- Continued**

-assessing completeness and accuracy of cash flows from financing activities through review of existing portfolio of loans and borrowings;

-Valuation bridge between 30 September 2023 (external valuation report) and 31 December 2023

-reviewing the reasonability of the principle used to develop the valuation bridge that was prepared by management;

-reviewing, recalculating and critically assessing the reasonableness of the changes in assumptions including:

- Key Macroeconomic indicators including inflation rate and discount rate;
- Sales dynamics, Prices and budgets;

-reviewing acquisitions or disposals of new projects;

-reviewing the flows between the Group Companies and material adjustments recorded;

-assessing whether the valuation bridge takes into consideration changes in all significant factors affecting the valuation;

-assessing whether the disclosure in the financial statements in respect of the fair value accounting of investments in subsidiaries and disclosures for significant accounting judgments and estimates are in compliance with IFRS requirements;

All the above procedures were completed in a satisfactory manner.



**Independent Auditor’s Report (continued)**

**To the Members of Etalon Group PLC**

**Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud- Continued**

<b>Why the matter was determined to be a key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p><b>Recoverability of loans receivable</b></p>	
<p>At 31 December 2023, the Company had loans receivable from related parties amounting to RUB'000 10,964,361 which represented 12% of the total assets of the Company.</p> <p>The Company’s accounting policy for loans receivable is disclosed in Note 2 and significant estimates and judgments are disclosed in Note 4.</p> <p>The recoverability of the loan receivables and the estimation of expected credit losses (“ECL”) is a key audit matter due to the significance of the balances and the significant degree of judgement involving estimations associated with the ECLs assessment.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> <li>-we obtained understanding of key controls over processes and procedures for developing assumptions used;</li> <li>-assessing the appropriateness of the methodology applied for estimation of expected credit losses for loans receivables disclosed in Notes 3 and 10;</li> <li>-testing the completeness and accuracy of the data used in the calculation of ECLs, through reconciliation to the source systems and testing inputs;</li> <li>-assessing mathematical accuracy of the model used for calculation of ECLs;</li> <li>-testing that the process to identify and measure individually assessed provisions is appropriate based on DCF for the underlying projects;</li> <li>-assessing whether the disclosure in the financial statements in respect of the ECL disclosures and significant accounting judgments and estimates are in compliance with IFRS requirements;</li> </ul> <p>All the above procedures were completed in a satisfactory manner.</p>

## **Independent Auditor's Report (continued)**

### **To the Members of Etalon Group PLC**

#### **Responsibilities of the Board of Directors and those charged with governance for the Financial Statements**

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

### **Independent Auditor's Report (continued)**

#### **To the Members of Etalon Group PLC**

#### **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 to 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 financial statements of the current period, and are therefore the key audit matters.

#### **Report on Other Legal Requirements**

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

- In our opinion, based on the work undertaken in the course of our audit, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.



## **Independent Auditor's Report (continued)**

### **To the Members of Etalon Group PLC**

#### **Other Matters**

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

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF)-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This independent auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

The engagement partner on the audit resulting in this independent auditor's report is Stelios Spiliotis.

A handwritten signature in blue ink, appearing to read 'Stelios Spiliotis', is written over a horizontal line.

Stelios Spiliotis  
Certified Public Accountant and Registered  
Auditor for and on behalf of

**NSP Sagehill Partners Limited**  
**Certified Public Accountants and Registered Auditors**

Arianthi Court, 2nd Floor  
50 Agias Zonis Street  
3090 Limassol  
Cyprus

Limassol, 26 April 2024



## STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		<u>31 December 2023</u>	<u>31 December 2022</u>
	Note	RUB'000	RUB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	8	79 994 875	87 787 059
Loans receivable	9	<u>10 964 361</u>	<u>6 062 472</u>
<b>Total non-current assets</b>		<b><u>90 959 236</u></b>	<b><u>93 849 531</u></b>
<b>Current assets</b>			
Loans receivable	9	-	3 852 774
Other receivables and prepayments	10	212 714	158 672
Cash and cash equivalents	11	<u>85 209</u>	<u>447 947</u>
<b>Total current assets</b>		<b><u>297 923</u></b>	<b><u>4 459 393</u></b>
<b>Total assets</b>		<b><u>91 257 159</u></b>	<b><u>98 308 924</u></b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		2 723	2 723
Share premium		26 367 865	26 367 865
Reserve for own shares		(694)	(694)
Capital contribution		16 584 198	16 584 198
Retained earnings		<u>45 589 838</u>	<u>52 569 427</u>
<b>Total equity</b>		<b><u>88 543 930</u></b>	<b><u>95 523 519</u></b>
<b>Non-current liabilities</b>			
Borrowings	14	<u>2 694 919</u>	<u>2 763 534</u>
<b>Total non-current liabilities</b>		<b><u>2 694 919</u></b>	<b><u>2 763 534</u></b>
<b>Current liabilities</b>			
Other payables and accruals	13	<u>18 310</u>	<u>21 871</u>
<b>Total current liabilities</b>		<b><u>18 310</u></b>	<b><u>21 871</u></b>
<b>Total liabilities</b>		<b><u>2 713 229</u></b>	<b><u>2 785 405</u></b>
<b>Total equity and liabilities</b>		<b><u>91 257 159</u></b>	<b><u>98 308 924</u></b>

On 26 April 2024, the Board of Directors of Etalon Group PLC authorized these financial statements for issue.

.....  
Andreas Kryftis

Director

.....  
Sergey Egorov

Director

The notes on pages 19 to 42 are an integral part of these financial statements.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		<u>2023</u>	<u>2022</u>
	Note	RUB'000	RUB'000
Change in fair value of investments in subsidiaries	8	(7 792 184)	(15 212 568)
Interest income		526 988	498 217
Interest expenses	15(v)	(157 920)	(128 173)
Impairment on trade and other receivables and loans		(899 395)	(866 161)
Administrative expenses	5	(232 712)	(181 276)
Other expenses		(4 025)	(77 525)
Other income		(38)	988
<b>Operating loss before net finance income/(expenses)</b>		<u><b>(8 559 286)</b></u>	<u><b>(15 966 498)</b></u>
Finance income		1 579 945	6 383
Finance expenses		(248)	(256 034)
<b>Net finance income/(expenses)</b>	6	<u><b>1 579 697</b></u>	<u><b>(249 651)</b></u>
<b>Loss before tax</b>		<u><b>(6 979 589)</b></u>	<u><b>(16 216 149)</b></u>
Income tax expense	7	-	(12 550)
<b>Loss for the period</b>		<u><b>(6 979 589)</b></u>	<u><b>(16 228 699)</b></u>
<b>Other comprehensive income for the period</b>		-	-
<b>Total comprehensive expenses for the period</b>		<u><u><b>(6 979 589)</b></u></u>	<u><u><b>(16 228 699)</b></u></u>

The notes on pages 19 to 42 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital	Share premium	Capital contribution	Reserve for own shares	Retained earnings	Total
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
<b>Balance at 1 January 2022</b>	<u>2 723</u>	<u>26 367 865</u>	<u>16 584 198</u>	<u>(694)</u>	<u>68 798 126</u>	<u>111 752 218</u>
<b>Loss for the period</b>						
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16 228 699)</u>	<u>(16 228 699)</u>
<b>Total comprehensive expenses for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16 228 699)</u>	<u>(16 228 699)</u>
<b>Balance at 31 December 2022</b>	<u>2 723</u>	<u>26 367 865</u>	<u>16 584 198</u>	<u>(694)</u>	<u>52 569 427</u>	<u>95 523 519</u>
<b>Balance at 1 January 2023</b>	<u>2 723</u>	<u>26 367 865</u>	<u>16 584 198</u>	<u>(694)</u>	<u>52 569 427</u>	<u>95 523 519</u>
<b>Loss for the period</b>						
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6 979 589)</u>	<u>(6 979 589)</u>
<b>Total comprehensive expenses for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6 979 589)</u>	<u>(6 979 589)</u>
<b>Balance at 31 December 2023</b>	<u>2 723</u>	<u>26 367 865</u>	<u>16 584 198</u>	<u>(694)</u>	<u>45 589 838</u>	<u>88 543 930</u>

The notes on pages 19 to 42 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	<b>2023</b>	<b>2022</b>
		RUB'000	RUB'000
<b>Cash flows from operating activities</b>			
Loss for the period before tax		<b>(6 979 589)</b>	<b>(16 216 149)</b>
<i>Adjustments for:</i>			
Change in fair value of investments in subsidiaries	8	7 792 184	15 212 568
Impairment on trade, other receivables and loans		897 925	866 161
Interest income on bank deposits		(9 495)	(19 718)
Interest income on loans issued	15(iii)	(517 493)	(478 499)
Interest expenses	15(v)	157 920	128 173
Foreign exchange (gains)/losses, net		(1 579 944)	240 162
Finance expenses	15(iii)	-	9 060
Tax withheld out of interest on loans	7	-	12 550
<b>Cash flows used in operations before changes in working capital</b>		<b>(238 492)</b>	<b>(245 692)</b>
Change in other receivables and prepayments		(6 597)	57 276
Change in other payables and accruals		(2 745)	8 411
<b>Net cash used in operating activities</b>		<b>(247 834)</b>	<b>(180 005)</b>
<b>Cash flows from investing activities</b>			
Repayment of loans by subsidiaries	15(iii)	40 000	2 416 336
Repayment of interest on loans by subsidiaries	15(iii)	18 306	72 270
Loans issued during the period to subsidiaries	15(iii)	(15)	(114 320)
Interest on bank deposits received		9 495	19 718
Purchases of subsidiary company		-	(1 995 954)
<b>Net cash from investing activities</b>		<b>67 786</b>	<b>398 050</b>
<b>Cash flows used in financing activities</b>			
Borrowings repaid	15 (v)	(226 534)	-
<b>Net cash used in financing activities</b>		<b>(226 534)</b>	<b>-</b>
Net (decrease)/increase in cash and cash equivalents		(406 582)	218 045
Cash and cash equivalents at beginning of period		447 947	321 156
Effects of exchange rate changes on cash and cash equivalents		<b>43 844</b>	(91 254)
<b>Cash and cash equivalents at end of the period</b>	11	<b>85 209</b>	<b>447 947</b>

The notes on pages 19 to 42 are an integral part of these financial statements.

**1. GENERAL INFORMATION**

**Country of incorporation**

Etalon Group PLC (the “Company”) was incorporated on 8 November 2007 in Bailiwick of Guernsey as a limited liability company under the Companies (Guernsey) Law. Its registered office was St. Julian’s Avenue, Redwood House, St. Peter Port, Guernsey, GY1 1WA, the Channel Islands.

On 5 April 2017, the Company migrated from Guernsey, Channel Islands, and was registered in the Republic of Cyprus under the name of Etalon Group Public Company Limited. Its registered office became 2-4 Arch. Makariou III Avenue, Capital Center, 9th floor, 1065 Nicosia, Cyprus.

On 27 July 2017, the shareholders at the Annual General Meeting resolved to change the name of the Company from Etalon Group Public Company Limited to Etalon Group PLC. On 8 August 2017, the change of the Company’s name was approved by the Registrar of Companies and Official Receiver of the Republic of Cyprus.

In April 2011, the Company completed an initial public offering and placed its ordinary shares in the form of global depository receipts (“GDR”) on the Main Market of the London Stock Exchange. The Company’s GDRs are traded on the Moscow Stock Exchange starting from 3 February 2020. Since the beginning of March 2022, as a result of sanctions imposed in connection with the Ukrainian crisis, LSE suspended trading in Group’s GDRs.

And as a result, on 7 July 2023 the Bank of Russia decided to register a prospectus for the Company’s global depository receipts (GDRs) in accordance with Regulation of the Bank of Russia No. 714-P of 27 March 2020 and Directive of the Bank of Russia No. 5951-U of 29 September 2021 and to allow Etalon Group’s GDRs to be publicly traded in Russia. Therefore, the Company has completed the procedure for changing its listing status on Moscow Exchange to primary. Changes in the Company’s listing status on Moscow Exchange do not place any restrictions on trading in Etalon Group’s GDRs.

As of 31 December 2023, 48.8% of issued shares of the Company is owned by PJSC AFK Sistema and its subsidiaries (as of 31 December 2022 – 48.8%). As at 31 December 2023 and 31 December 2022, Vladimir Petrovich Evtushenkov owns 49.2% of share capital of PJSC AFK Sistema. In 2022, Mr. Yevtushenkov sold his 10% stake in PJSC AFK Sistema and ceased to be the owner of the majority of shares. 50,8% of shares of PJSC AFK Sistema is owned by a significant number of shareholders. The shares of PJSC AFK Sistema are traded on the Moscow and Saint Petersburg Exchanges in the form of global depository receipts (“GDRs”).

**Principal activity**

The principal activity of the Company, which remained unchanged from the prior year, is the holding of investments and provision of financing services to related companies.

The Company’s operations are not subject to seasonality.

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

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

**Basis of preparation**

**(a) Statement of compliance**

These financial statements have been prepared in accordance with IFRS as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of preparation (continued)**

**(b) Basis of measurement**

The financial statements have been prepared under the historic cost conversion except for investments in subsidiaries that are measured at fair value. The preparation of financial statements in conformity with IFRS-EUs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

**(c) Going concern**

Management prepared these financial statements on a going concern basis.

When assessing the Company's ability to continue as a going concern over the next 12 months, the management considered all available information about the future, noting that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

During the reporting period and following the commencement of the Ukrainian crisis, the US, UK, EU and some other countries imposed severe sanctions against the Russian government, major financial institutions and certain other entities and individuals in the Russian Federation. All the above led to significant market volatility, disruption in the supply chains and significantly increased the level of economic uncertainty.

The Company continues to operate and fulfil its obligations to its customers, partners and employees, although the Company can provide no assurance that the current geopolitical situation and the resulting economic developments in Russia will not adversely affect operations and financial results in the future.

The Company and its subsidiaries (together referred to as the "Group") developed a stress scenario of the possible impact on the current operating environment on the Group's demand and supply chain, including continuity in demand, availability and prices for construction materials and supplies, and eventually on cash flows and liquidity position, including the consideration of debt covenants.

Considering the above and given the Group's history of profitable operations and ready access to financial resources, the Company reached a conclusion that the going concern basis of accounting is appropriate for the preparation of these financial statements.

**Foreign currency translation**

**(i) Functional and presentation currency**

The financial statements are presented in Russian Rubles (RUB), which is the Company's functional and presentation currency.

All financial information has been rounded to the nearest thousands, except when otherwise indicated.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of preparation (continued)**

**Application of new standards, interpretations and amendments of existing standards**

*(a) Standards and amendments to existing standards early adopted*

The Company has not early adopted any standards for the year ended 31 December 2023.

*(b) Amendments to existing standards effective on or after 1 January 2023 adopted by the Company*

The Company adopted all the new and revised International Financial Reporting Standards (IFRS) when they became effective in the EU for reporting period beginning on 1 January 2023:

- IFRS 17: "Insurance Contracts", including Supplementary Agreements – insurance contracts, including amendments of June 2020 and December 2021;
- Amendments to IAS 12 "International Tax Reform – Rules of the Pillar 2 Model";
- Amendments to IAS 12 Income Taxes, deferred tax relating to assets and liabilities arising from a single transaction;
- Amendments to IFRS (IAS) 1 "Presentation of Financial Statements" and "Statement of Practice on the Application of IFRS (IFRS) 2", "Disclosure of Accounting Policies";
- Amendments to IFRS (IAS) 8 "Accounting Policy", changes in accounting estimates and errors, definition of accounting estimates.

The adoption of these amendments had no effect on the financial statements of the Company.

*(c) Standards and amendments in issue not yet adopted*

On the date of approval of these financial statements, the following standards and amendments have been issued by the International Accounting Standards Board but were not yet effective (also have not yet been endorsed by the European Union):

IAS 1 Presentation of Financial Statements (amendments and deferral of effective date)	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	Effective for annual periods beginning on or after 1 January 2024
IFRS 16 (amendments)	Lease liability in a Sale and Leaseback	Effective for annual periods beginning on or after 1 January 2024
IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments (amendments)	Disclosures: Supplier Finance Arrangements	Effective for annual periods beginning on or after 1 January 2024
IAS 21 Foreign Currencies (amendments)	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	Effective for annual periods beginning on or after 1 January 2025

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of preparation (continued)****Classification changes, correction of mistakes**

The Company consistently applies the accounting policies and new standards that have entered into force to all periods indicated in the financial statements.

Correction of classification in the statement of financial position:

	<b>31 December 2022</b>		
	<b>Before adjustment of presentation</b>	<b>Adjustment of presentation</b>	<b>After adjustment of presentation</b>
	<b>RUB'000</b>	<b>RUB'000</b>	<b>RUB'000</b>
<b>Non-current</b>			
Borrowings	-	2 763 534	2 763 534
<b>Total non-current liabilities</b>	<b>-</b>	<b>2 763 534</b>	<b>2 763 534</b>
<b>Current liabilities</b>			
Other payables and accruals	21 871	-	21 871
Borrowings	2 763 534	(2 763 534)	-
<b>Total current liabilities</b>	<b>2 785 405</b>	<b>(2 763 534)</b>	<b>21 871</b>

In order to comply with the requirements of IAS 1 Presentation of Financial Statements, the Company corrected the presentation in the statement of financial position current and non-current assets. Due to an error (incorrect classification) in the previous period, corrections were made to the comparative data for 2022. The error occurred in relation to the presentation of the amount of borrowings as part of short-term liabilities.

**Financial instruments***(i) Financial assets*

The Company's financial assets, classified at amortised cost category as defined by IFRS 9, comprise of loans receivable, other receivables and cash and cash equivalents.

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

**Classification and measurement of financial assets**

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see "Impairment of financial assets" below). 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.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

*(i) Financial assets (continued)*

**Impairment of financial assets**

The impairment model under IFRS 9 - an “expected credit loss” (ECL) model - applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

The Company assesses on a forward-looking basis the ECL for debt instruments measured at amortised cost.

The financial assets at amortised cost consist of loans receivable, other receivables and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month expected credit losses: these are expected credit losses that result from possible default events within the 12 months after the reporting date, and
- lifetime expected credit losses: these are expected credit losses that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company 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 Company’s historical experience and informed credit assessment and including forward-looking information.

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due.

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

***Measurement of Expected credit losses***

Expected credit losses 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 contractual cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

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

***Presentation of impairment***

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

*(i) Financial assets (continued)*

**Investments in subsidiaries**

Subsidiaries are all the entities which the Company has control. The Company controls an entity when the Company 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.

Investments in subsidiary companies are classified as investments at fair value through profit or loss and are measured at fair value. The Company's financial statements are publicly available and can be used by investors for their economic decisions, and the management believes that measurement of investments in subsidiaries at fair value provides more reliable and more relevant information about the Company's financial position than the measurement of investments at cost.

Investments in subsidiary companies are classified as investments at fair value through profit or loss and are measured at fair value. Gains or losses on investments in subsidiary companies are recognised in profit or loss.

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables are held to collect the contractual cash flows, and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. Such financial assets are classified at amortised cost in accordance with IFRS 9.

The company assessed individual impairment based on discounted cash flows attributed to certain loans amount. For others loans and receivables the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining maturity of financial instruments. The Company determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. In accordance with IFRS 9, cash and cash equivalents are classified at amortised cost.

*(ii) Financial liabilities*

The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables.

At initial recognition, the Company measures a financial liability at its fair value plus transaction costs that are directly attributable to the issuance of the financial liability. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its obligations specified in the contracts are discharged or cancelled or expire. The Company recognises financial assets or financial liabilities in its statement of financial position when it becomes party to the contractual provisions of the instrument and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

*(ii) Financial liabilities (continued)*

**Other payables and accruals**

Other payables and accruals represent amounts outstanding at the reporting date and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

**Tax**

Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes a provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Dividend distribution**

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

**Share capital**

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. The capital contribution reserve relates to the fair value of the shares issued to the shareholders in exchange for investment in subsidiary (Note 12).

The preference shares bear no voting rights and no rights to dividend, and shall be redeemed within thirty days of giving notice by the Company to a holder of shares at a price per share at which each share was issued. Since the option to redeem the Company's shares are at the discretion of the Company and not the holders of the shares, the preference shares are classified as equity.

**Interest income**

Interest income includes loan interest income which is recognised in the statement of profit or loss on an accrual basis using the effective interest rate method.

**Interest expenses**

Interest expenses include interest expense on amounts payable to related parties which is recognised in the statement of profit or loss on an accrual basis using the effective interest rate method.

**Dividend income**

Dividend income is recognised in the statement of profit or loss and other comprehensive income when the right to receive payment is established.

**Finance income**

Finance income includes foreign exchange gains, which are recognised in the statement of profit or loss and other comprehensive income as incurred.

**Finance expenses**

Finance expenses include foreign exchange losses and bank charges, which are recognised in the statement of profit or loss and other comprehensive income as incurred and on an accrual basis, respectively.

**3. FINANCIAL RISK MANAGEMENT AND TAX RISK**

**Financial risk factors**

The Company's activities expose it to credit risk, liquidity risk, market price risk and currency risk, arising from the financial instruments it holds. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect market conditions and the Company's activities.

• **Credit risk**

Credit risk arises when a failure by counter parties to discharge their obligation could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

Credit risk arises from cash and cash equivalents as well as credit exposures to outstanding receivables and committed transactions.

Credit risk with regards to cash and cash equivalents is managed by placing funds primarily in the banks with high credit-ratings assigned by international credit-rating agencies.

In order to minimise credit risk of other receivables, the Company has a policy of dealing with creditworthy counterparties, obtaining sufficient collateral, where appropriate, and monitoring on a continuous basis the ageing profile of its receivables as a means of mitigating the risk of financial loss from defaults.

The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

In particular, the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- future cash flows from construction projects are compared to the current value of the financial asset;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower/counterparty;
- significant increases in credit risk on other financial instruments of the same borrower/counterparty;
- significant changes in the value of the collateral supporting the obligation;
- significant changes in the expected performance and behavior of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)

## Financial risk factors (continued)

- Credit risk (continued)

The Company's current credit risk grading framework comprises the following categories and the assumptions underpinning the Company's expected credit loss model:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The carrying amount of financial assets represents the maximum credit exposure.

The tables below detail the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by category of financial assets:

	31.12.2023	Note	12-month/ lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Loans receivable		9	Lifetime ECL	18 085 614	(7 121 253)	10 964 361
Other receivables		10	Lifetime ECL	216 381	(4 369)	212 012
Cash and cash equivalents		11	12-month	85 209	-	85 209
	31.12.2022	Note	12-month/ lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Loans receivable		9	Lifetime ECL	14 812 761	(4 897 515)	9 915 246
Other receivables		10	Lifetime ECL	159 287	(3 214)	156 073
Cash and cash equivalents		11	12-month	447 947	-	447 947

**Allowance for impairment in respect of loans given**

The movement in the allowance for impairment in respect of loans given during the reporting period was as follows:

	2023	2022
	RUB'000	RUB'000
<b>Balance at 1 January</b>	<b>(4 897 516)</b>	<b>(4 397 065)</b>
Change of impairment for the period (Note 15(iii))	<b>(898 240)</b>	<b>(863 172)</b>
FOREX	<b>(1 325 498)</b>	<b>362 722</b>
<b>Balance at 31 December</b>	<b>(7 121 253)</b>	<b>(4 897 516)</b>

## 3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)

## Financial risk factors (continued)

## • Credit risk (continued)

## (Impairment)/reversal of impairment on trade, other receivables and loans

	2023	2022
	RUB'000	RUB'000
Change for loans given (Note 15(iii))	(898 240)	(863 172)
Change for other receivables (Note 15(iv))	(1 155)	(2 834)
Write-off of other receivables and loans given	-	(155)
	<u>(899 395)</u>	<u>(866 161)</u>

## Allowance for impairment in respect of other receivables

The movement in the allowance for impairment in respect of other receivables during the reporting period was as follows:

	2023	2022
	RUB'000	RUB'000
<b>Balance at 1 January</b>	<u>(3 214)</u>	<u>(380)</u>
Change of impairment for the period (Note 15(iv))	<u>(1 155)</u>	<u>(2 834)</u>
<b>Balance at 31 December</b>	<u>(4 369)</u>	<u>(3 214)</u>

## • Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company'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 Company's reputation.

The Company's management monitors its liquidity on a continuous basis and acts accordingly. Each year the Company prepares a cash flow budget to forecast possible liquidity deficits and to define the sources of financing of those deficits.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amounts RUB'000	Contractual cash flows RUB'000	Between 0-12 months RUB'000	Between 2-3 years RUB'000
<b>31 December 2023</b>				
<b>Borrowings</b>	<b>2 694 919</b>	<b>2 999 702</b>	<b>-</b>	<b>2 999 702</b>
<b>Other payables and accruals</b>	<b>18 310</b>	<b>18 310</b>	<b>18 310</b>	<b>-</b>
	<u><b>2 713 229</b></u>	<u><b>3 018 011</b></u>	<u><b>18 310</b></u>	<u><b>2 999 702</b></u>
	Carrying amounts RUB'000	Contractual cash flows RUB'000	Between 0-12 months RUB'000	Between 2-3 years RUB'000
<b>31 December 2022</b>				
<b>Borrowings</b>	<b>2 763 534</b>	<b>3 265 734</b>	<b>-</b>	<b>3 265 734</b>
<b>Other payables and accruals</b>	<b>21 871</b>	<b>21 871</b>	<b>21 871</b>	<b>-</b>
	<u><b>2 785 405</b></u>	<u><b>3 287 606</b></u>	<u><b>21 871</b></u>	<u><b>3 265 734</b></u>

**3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)****Financial risk factors (continued)**

- Market price risk**

Market risk is the risk that changes in market prices, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

*Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Loans receivable and borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

- Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollars (US\$) and Euro (EUR). The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

	<b>31 December 2023</b>	31 December 2022
	<b>RUB'000</b>	RUB'000
<b>Assets</b>		
<b>US Dollar</b>		
Cash and cash equivalents	4	213
Loans receivable	6 373 839	5 347 168
Other receivables and prepayments	14 867	11 729
<b>Total</b>	<b>6 388 710</b>	<b>5 359 110</b>
<b>Euro</b>		
Cash and cash equivalents	51 375	264 294
Other receivables and prepayments	199 692	143 927
<b>Total</b>	<b>251 067</b>	<b>408 221</b>
<b>Liabilities</b>		
<b>Euro</b>		
Other payables and accruals	(5 289)	(2 008)
<b>Total</b>	<b>(5 289)</b>	<b>(2 008)</b>
<b>Net position</b>		
<b>US Dollar</b>	<b>6 388 710</b>	<b>5 359 110</b>
<b>Euro</b>	<b>245 778</b>	<b>406 213</b>

## 3. FINANCIAL RISK MANAGEMENT AND TAX RISK (CONTINUED)

## Financial risk factors (continued)

## • Currency risk (continued)

The following significant exchange rates applied during the year:

in RUB	Average rate		Reporting date spot rate	
	2023	2022	31 December 2023	31 December 2022
USD 1	85,25	68,55	89,69	70,34
EUR 1	92,24	72,53	99,19	75,66

## Sensitivity analysis

A 20% strengthening of the US\$ against the RUB at 31 December 2023 and 31 December 2022 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 20% weakening of the US\$ against the RUB, there would be an equal and opposite impact on profit and equity.

	Equity 2023 RUB'000	Profit or Loss 2023 RUB'000
US Dollar	1 277 742	1 277 742
	Equity 2022 RUB'000	Profit or Loss 2022 RUB'000
US Dollar	1 071 822	1 071 822

A 10% strengthening of the Euro against the RUB at 31 December 2023 and 31 December 2022 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the RUB, there would be an equal and opposite impact on profit and equity.

	Equity 2023 RUB'000	Profit or Loss 2023 RUB'000
Euro	24 578	24 578
	Equity 2022 RUB'000	Profit or Loss 2022 RUB'000
Euro	40 621	40 621

## Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to equity holders through the optimisation of the debt and equity balance. The management of the Company reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with it.



#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Estimation of expected credit losses**

Expected credit losses are an estimate weighted by the probability of credit losses. Credit losses are measured as the present value of all expected cash losses. The amount of expected credit losses is discounted using the effective interest rate on the relevant financial asset.

The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

In assessing ECL, the Company used information published by Moody's Investors Service about the probabilities of default (PD) and losses given default (LGD) for counterparties with different credit ratings and financial instruments with different durations.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The other assumptions and methods used for estimating of expected credit losses are disclosed in note 2 ("Impairment of financial assets", "Loans and receivables") and note 3 ("Credit risk").

- **Fair value of investments in subsidiaries**

The fair value of investments in subsidiaries are assessed by an independent appraiser.

The fair value of investments in subsidiaries recorded in the statement of financial position cannot be derived from active markets, and they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates and assumptions were made, and a degree of judgment has been applied in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of investments in subsidiaries. The assessment was made on 30.09.2023, assuming that at the date of preparation of these financial statements, the assessment has not changed significantly, except for the influence of factors specified in the bridge.

The assumptions and methods used for estimating the fair value of investments in subsidiaries are disclosed in Note 8.

- **Functional currency**

The Management of the Company has considered which currency is the currency of the primary economic environment in which the Company operates. In making this assessment, Management has used judgment to determine the functional currency that most faithfully represents the underlying transactions, events and conditions of the Company. Management has concluded that the functional currency of the Company is the RUB because the Company is seen as an extension of its subsidiaries operating in the Russian Federation.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

• **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax assets and liabilities in the period in which such determination is made.

**5. ADMINISTRATIVE EXPENSES**

	<u>2023</u>	<u>2022</u>
	RUB'000	RUB'000
Accounting and administration expenses	<b>57 245</b>	6 105
Legal, consulting and other professional services	<b>54 200</b>	33 755
Management services	<b>50 075</b>	71 229
Directors' remuneration (Note 15(i))	<b>21 777</b>	24 180
Auditors' remuneration	<b>27 847</b>	23 881
Payroll tax (Note 15(i))	<b>2 860</b>	7 004
Secretarial fees	<b>3 346</b>	1 904
Social insurance contribution (Note 15(i))	<b>2 315</b>	2 110
Other expenses	<b>13 048</b>	11 108
<b>Total</b>	<b><u>232 712</u></b>	<b><u>181 276</u></b>

Remuneration of the statutory audit firm for the year ended 31 December 2023 amounted to RUB 8.1 million for audit services (2022: RUB 3.8 million) and RUB 0.8 million for other assurance services (2022: RUB 0.2 million).

Remuneration of the other audit firm for the year ended 31 December 2023 amounted to RUB 16.5 million for audit services (2022: RUB 13.2 million) and RUB 2.5 million for other assurance services (2022: RUB 6.8 million)

Management services provided by the subsidiary of the Company, JSC GK Etalon. The amounts of accrued expenses and payments are disclosed in Note 15(vii).

**6. NET FINANCE EXPENSES**

	<u>2023</u>	<u>2022</u>
	RUB'000	RUB'000
Foreign exchange gains	<b>1 579 945</b>	6 383
<b>Finance income</b>	<b><u>1 579 945</u></b>	<b><u>6 383</u></b>
Foreign exchange losses	-	(246 545)
Loan assignment to third party (Note 15(iii))	-	(9 060)
Bank charges	<b>(248)</b>	(429)
<b>Finance expenses</b>	<b><u>(248)</u></b>	<b><u>(256 034)</u></b>
<b>Net finance income/(expenses)</b>	<b><u>1 579 697</u></b>	<b><u>(249 651)</u></b>

**7. INCOME TAX EXPENSE**

Corporation tax

The corporation tax rate is 12,5%.

Special contribution to defense

Under certain conditions interest income may be subject to defense contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 17%.

Tax losses

Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

Tax for the period

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	<u>2023</u>	<u>2022</u>
	RUB'000	RUB'000
Loss before tax	<b>(6 979 589)</b>	(16 216 149)
Tax calculated at the applicable tax rate of 12,5%	<b>(872 449)</b>	(2 027 019)
Tax effect of expenses not deductible and income not taxable for income tax purposes, net	<b>166 530</b>	2 067 062
Tax withheld in Russian Federation out of interest on loans	-	12 550
Tax effect of losses carried forward	<b>705 919</b>	4 947
Notional Interest Deduction (NID)	-	(44 990)
Tax for the period	<u>-</u>	<u>12 550</u>

Effective from 8 August 2023, in accordance with the Decree of the President of the Russian Federation, the double taxation treaty with the Republic of Cyprus was terminated. The reduced tax rates previously applied to payment of dividends between the two countries were suspended and the tax at a base rate of 15% should be withheld from all dividend payments between the countries. Exceptions are granted to the companies registered in the Special Administrative Regions in the Russian Federation, subject to certain conditions.

**8. INVESTMENTS IN SUBSIDIARIES**

	<u>2023</u>	<u>2022</u>
	RUB'000	RUB'000
At the beginning of the period	<b>87 787 059</b>	98 441 246
Acquisition of subsidiary at cost	-	4 558 381
Change in fair value of investments in subsidiaries	<b>(7 792 184)</b>	(15 212 568)
At the end of the period	<u><b>79 994 875</b></u>	<u>87 787 059</u>

**8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

The Company's main subsidiaries, which are unlisted, are as follows:

<b>Name</b>	<b>Principal Activity</b>	<b>Country of incorporation</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
JSC Zatonskoe	Holding of investments	Russia	32%*	32%
Tinctoria Holdings Limited	Provision of financing services	Cyprus	100%	100%
Vandelo Investments Limited	Holding of investments	Cyprus	100%	100%
Elzinga Holdings Limited	Holding of investments	Cyprus	100%	100%
Fagestrom Limited	Provision of financing services	Cyprus	100%	100%
JSC GK Etalon	Holding of investments	Russia	99.9%	99.9%
ETLN Salm Development	Holding of investments	Finland	100%	100%
Living Services Russia Oy	Holding of investments	Finland	100%	100%
ETLN Invest Export Oy	Holding of investments	Finland	100%	100%
ETLN Russia Oy	Holding of investments	Finland	100%	100%

\* The remaining 68% of shares are owned indirectly by the Group (through other subsidiary of the Company).

**Dividends**

The current challenging geopolitical circumstances, certain sanctional provisions and mutual restrictions, including on distribution of funds through international payment and clearing systems, have a significant impact on the ability of the Company's subsidiaries to pay out dividends to the Company.

**Pledges and guarantees**

As at 31 December 2023, 68% of shares in subsidiary company JSC Zatonskoe which represents RUB 2.160 million in its net assets (31 December 2022: 68% of shares represents RUB 3.921 million in net assets) was pledged as security for a secured bank loan received by the subsidiary of the Company (net assets are based on individual IFRS accounts of the relevant companies).

**Key transactions**

On 31 March 2022, the Boards of Directors of the Company and of YIT Corporation agreed on the sale of YIT Russia for a consideration of RUB 4.558 million. The completion of the acquisition of YIT Russia took place in May 2022. Payments under the transaction were made partly in cash amounted to RUB 1.923 million (total payment with transfer tax is amounted to RUB 1.996), and an agreement on assignment of the loan obligation was also signed (Note 15(v)).

**Fair value**

The investments are measured at fair value.

The fair value hierarchy of investments in subsidiaries belongs to Level 3 as a fair value measurement uses unobservable inputs that require significant adjustment. The fair value of investments in subsidiaries at 31 December 2022 was assessed by an independent appraiser. In order to assess the fair value of investments in subsidiaries at 31 December 2023 the valuation was prepared by an external valuer as at 30 September 2023, and then the valuation bridge was carried out by the Company between the valuation date and the reporting date (see details below).

To determine the fair value of investments in subsidiaries, the independent appraiser projected cash flows from development projects and objects completely constructed and owned by the respective subsidiaries. These cash flows were adjusted by the fair value of other assets and liabilities controlled by those subsidiaries, and minority interest, where applicable and discounted at an-applicable, risk-adjusted rate. The fair value has been reduced by the payables of the subsidiaries towards the Company. The provision made against loans from subsidiaries as described in Note 9 has therefore resulted in a corresponding increase in the fair value of investments in subsidiaries.

**8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

**Fair value (continued)**

Considering the length of the budget cycle for construction projects in the Company and the absence of changes in the business plans of the projects in the period from 30 September 2023 to 31 December 2023, as well as the implementation of sales plans within a given period of time, it was assumed that the following parameters have a significant impact on the assessment:

- period of discounting cash flows and
- discount rate

Therefore, to achieve the transition (valuation bridge) in the implied valuation models at 30 September 2023, the discount date was changed to December 31, 2023 and the discount rate components in the CAPM model (Capital Asset Pricing Model) were updated. The US Treasury yield was updated on December 31, 2023, which is used to determine the risk-free rate. And the Russian federal bonds' (OFZ) yield was updated on December 31, 2023, which affected the change in the country risk of the Russian Federation.

The key assumptions used in the estimation of the fair value of subsidiaries are set out below:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Discount rates, depending on the stage of development and status of construction project	<b>23,36-25,91%</b>	20,36-25,46%

The values assigned to the key assumptions represented management's assessment of future trends in residential development and were based on historical data from both external and internal sources.

The cash flows projections included specific estimates for 18 years.

As a result of this assessment, the Company has recognised a decrease in the fair value of investments in subsidiaries in the amount of RUB'000 7.792.184 for the year ended 31 December 2023 (31 December 2022: decrease of RUB'000 15.212.568).

**Sensitivity analysis**

Due to the adopted approach to the transition from an estimate as of 30 September 2023 to an estimate as of 31 December 2023, in which there are no changes in the projected undiscounted cash flows, the sensitivity analysis carried out will not undergo significant changes when the bridge is performed by the company.

The following tables demonstrate changes in key inputs and sensitivity of fair value measurement:

	<u>31 December 2023</u>		
	<u>Change of parameter</u>	<u>Impact on fair value</u>	<u>In monetary terms, RUB'000</u>
Growth of discount rate	1%	(1,56%)	(1 249 547)
Growth of cost of construction projects	5%	(14,12%)	(11 297 856)
Reducing of revenue from construction projects	(5%)	(20,12%)	(16 092 082)
Growth of expenses on non-developer types of activities	5%	(3,58%)	(2 866 476)

## 8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

## Sensitivity analysis (continued)

	31 December 2022		
	Change of parameter	Impact on fair value	In monetary terms, RUB'000
Growth of discount rate	1%	(2,29%)	(2 010 198)
Growth of cost of construction projects	5%	(15,61%)	(13 702 769)
Reducing of revenue from construction projects	(5%)	(19,57%)	(17 183 551)
Growth of expenses on non-developer types of activities	5%	(3,63%)	(3 188 042)

## 9. LOANS RECEIVABLE

	31 December 2023	31 December 2022
	RUB'000	RUB'000
<b>Non-current</b>		
Loans to related parties	10 964 361	6 062 472
<b>Total non-current loans receivable</b>	<b>10 964 361</b>	<b>6 062 472</b>
<b>Current</b>		
Loans to related parties	-	3 852 774
<b>Total current loans receivable</b>	<b>-</b>	<b>3 852 774</b>
<b>Total loans receivable (Note 15(iii))</b>	<b>10 964 361</b>	<b>9 915 246</b>

Due to the significant devaluation of the RUB against the US\$ subsequent to the issuance of US\$-denominated loans, the Company concluded that there is an objective evidence that an impairment loss on loans has been incurred.

The Company assessed individual impairment based on discounted cash flows attributed for part of its loans through their recoverable amount.

The recoverable amount of loans was determined based on the present value of the expected cash flows to be received from the loans, discounted at the original effective interest rate of 3,5%, and a provision in the amount of RUB'000 6.582.796 was recognized as at 31 December 2023 (31 December 2022: RUB'000 4.818.001).

For others loans, the Company calculates expected credit losses (ECL) based on of the credit risk rating assigned to respective debtors and the remaining terms to maturity. The Company determines the inputs for calculation of ECL such as probability of default (PD) and loss given default (LGD) using both internal and external statistical data. The amount of expected credit losses on loans receivable of RUB'000 538.456 was recognized as at 31 December 2023 (31 December 2022: RUB'000 79.514).

If the LGD rates on loans and receivables had been 10 per cent higher (lower) and PD rates on loans and receivables had been 0,5 per cent higher (lower) as of 31 December 2023, the loss allowance on loans and receivables would have been RUB'000 128.623 higher (lower).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets. The fair values of loans receivable approximate their carrying amounts. The fair value hierarchy of loans receivable belongs to Level 3.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**10. OTHER RECEIVABLES AND PREPAYMENTS**

	<b>31 December 2023</b>	31 December 2022
	<b>RUB'000</b>	RUB'000
Receivable from related parties (Note 15(iv))	209 950	156 073
Receivable from third parties	2 062	-
Prepayments	702	2 599
	<b>212 714</b>	<b>158 672</b>

The fair values of other receivables and prepayments approximate their carrying amounts.

For receivables, the Company calculates ECL based on of the credit risk rating assigned to respective debtors and the remaining maturity of the financial instruments. The Company determines the inputs for calculation of ECL such as probability of default and loss given default using both internal and external statistical data.

**11. CASH AND CASH EQUIVALENTS**

	<b>31 December 2023</b>	31 December 2022
	<b>RUB'000</b>	RUB'000
Restricted cash	51 379	-
Short-term deposit (less than 3 months)	32 880	176 170
Cash in banks	950	271 777
	<b>85 209</b>	<b>447 947</b>

At 31 December 2023, the most significant amount of cash and cash equivalents held with one bank totaled RUB'000 51.379 (31 December 2022: RUB'000 259.333). This amount is a restricted cash which represents funds in Citibank accounts which were blocked during the reporting period based on the bank's sanctions policy.

At 31 December 2023, the Company had no outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents (31 December 2022: no outstanding loans and borrowings).

At 31 December 2023, short-term deposit bore interest rate 16.10% per annum (31 December 2022: 6.25% per annum).

**12. SHARE CAPITAL AND SHARE PREMIUM**

	Number of ordinary shares	Number of redeemable preference shares	Share capital RUB'000	Reserve for own shares RUB'000	Share premium RUB'000	Total RUB'000
<b>At 1 January 2021</b>	<b>294 954 025</b>	<b>20 000</b>	<b>2 266</b>	<b>(694)</b>	<b>15 486 109</b>	<b>15 487 681</b>
New share issue at the beginning of the period	88 487 391	-	457	-	10 881 756	10 882 213
<b>At 31 December 2022 / At 31 December 2023</b>	<b>383 441 416</b>	<b>20 000</b>	<b>2 723</b>	<b>(694)</b>	<b>26 367 865</b>	<b>26 369 894</b>

**12. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)**

At 1 January 2021, the number of authorised and issued shares was 294,954,025. On 28 March 2021, the General Meeting of the Shareholders of the Company approved the increase of the authorised share capital of the Company by the creation of 88,487,391 ordinary shares of nominal value of GBP 0,00005 each. On 14 May 2021, the Company announced an offering of rights to subscribe for newly issued Ordinary Shares to the existing holders of the Company's equity securities. Eligible holders of GDRs subscribed for 23,339,732 new ordinary shares and 281,975 new GDRs in total. A rump offering was also completed on 14 May 2021 in which a total of 64,865,684 GDRs was purchased by investors.

**(i) Reserve for own shares**

As at 31 December 2023 and 31 December 2022, the total number of own shares acquired by the Company amounted to 3,946 shares or 0,001% of issued share capital.

The consideration paid for own shares, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When own shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

**(ii) Share premium**

The Company's share premium account originated from initial public offering of 71,428,571 ordinary shares at a value USD 7 each in form of global depository receipts (GDR`s) on the London Stock Exchange on 4 April 2011, and from issuance of 117,647 ordinary £0.01 shares for a consideration of USD 82,352,900 in March 2008 and from a supplementary public offering of 88,487,391 ordinary shares at a value USD 1,7 each in form of global depository receipts on 14 May 2021.

**(iii) Dividends**

As the majority of the Company's subsidiaries are incorporated in the Russian Federation, and in accordance with Russian legislation, the subsidiaries' distributable reserves are limited to the balance of retained earnings as recorded in their statutory financial statements prepared in accordance with Russian Accounting Principles.

The current challenging geopolitical circumstances, certain sanctions provisions and mutual restrictions, including on distribution of funds through international payment and clearing systems, have a significant impact on the Company's ability to pay out dividends to all groups of its shareholders. Based on the principle of equitable treatment of all shareholders, the Board of Directors of the Company resolved to postpone consideration of the matter of dividend payments until constraints currently in force are removed. The Annual General Meeting of shareholders that took place on 15 December 2023 neither considered nor approved any dividend payments for the financial year ended 31 December 2022.

As at 31 December 2023, the retained earnings were RUB'000 45,589,838 (31 December 2022: RUB'000 52,569,427). During the year ended 31 December 2023, the Company did not declare or pay any dividends (31 December 2022: the AGM of shareholders neither considered nor approved any dividend payments).

**(iv) Capital contribution**

Capital contribution represents the excess of the deemed cost of shares in its subsidiary, Etalon Group Limited, transferred to the Company by its shareholder in 2008, over the book value of these shares as at the date of transaction. Deemed cost was determined at the date of transfer by reference to the terms of a transaction with an unrelated party for the acquisition of a minority stake in the Company which took place close to the date of issuance of shares by the Company.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**13. OTHER PAYABLES AND ACCRUALS**

	<u>31 December 2023</u>	<u>31 December 2022</u>
	RUB'000	RUB'000
Remuneration of members of the Board of Directors, including social tax (Note 15(i))	<b>1 806</b>	7 794
Accrued audit fees	<b>12 842</b>	7 932
Payables for management services (Note 15(vii))	<b>100</b>	5 370
Accrued accounting and administration expenses	<b>3 462</b>	675
Payables to related party	<b>100</b>	100
	<u><b>18 310</b></u>	<u><b>21 871</b></u>

The fair value of other payables and accruals which are due within one year approximates their carrying amount at the reporting date.

**14. BORROWINGS**

	<u>31 December 2023</u>	<u>31 December 2022</u>
	RUB'000	RUB'000
<b>Non-current</b>		
Borrowings from subsidiary (Note 15(v))	<b>2 694 919</b>	2 763 534
<b>Total non-current borrowings</b>	<u><b>2 694 919</b></u>	<u><b>2 763 534</b></u>
<b>Total borrowings</b>	<u><b>2 694 919</b></u>	<u><b>2 763 534</b></u>

In May 2022, the Company assumed a loan as part of the purchase of YIT Russia under to agreement of assignment of a loan liability in amount RUB 2.635 million (Note 15(v)). The loan is denominated in Russian rubles, with an interest rate of 6,65% per annum and a maturity date of 31 December 2025.

**15. RELATED PARTY TRANSACTIONS**

The following transactions were carried out with related parties:

**(i) Directors' remuneration**

	<u>2023</u>	<u>2022</u>
	RUB'000	RUB'000
Directors' remuneration (Note 5)	<b>21 777</b>	24 180
Payroll and social tax (Note 5)	<b>5 175</b>	9 114
	<u><b>26 952</b></u>	<u><b>33 294</b></u>

As at 31 December 2023, outstanding balances of remuneration payable to the Board of Directors was RUB'000 1806 (Note 13) (31 December 2022: outstanding balances of payroll and social tax was RUB'000 7794).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

## 15. RELATED PARTY TRANSACTIONS (CONTINUED)

## (ii) Year-end balances

	<u>31 December 2023</u>	<u>31 December 2022</u>
	RUB'000	RUB'000
Receivables from subsidiary companies (Note 10)	209 950	156 073
Borrowings from subsidiary company (Note 14)	(2 694 919)	(2 763 534)
Loans due from subsidiary companies (Note 9)	10 964 361	9 915 246
Cash and cash equivalents in banks - other related parties	33 828	183 441
Management services from subsidiary company (Note 13)	<u>100</u>	<u>5 370</u>

## (iii) Loans due from subsidiary companies

	<u>2023</u>	<u>2022</u>
	RUB'000	RUB'000
On 1 January	9 915 246	12 849 279
Loans repaid during the period	(40 000)	(2 416 336)
Repayment of interest on loans, net of tax	(18 306)	(72 270)
Tax withheld in Russian Federation from interest on loans (Note 7)	-	(12 550)
Interest charged	517 493	478 499
Loan assignment to third party	-	(9 060)
Loans issued during the period to subsidiaries	15	114 320
Impairment of loans receivable (Note 3)	(898 240)	(863 172)
Reversal/(write-off) of loans receivable	1 470	(155)
Foreign exchange gains/(losses)	<u>1 486 683</u>	<u>(153 309)</u>
At the end of the period (Note 9)	<u>10 964 361</u>	<u>9 915 246</u>

As at 31 December 2023, the loans amounted to RUB'000 10.964.361 (31 December 2022: RUB'000 9.915.246). The loans were denominated in US Dollars and Russian rubles, bear interest 3,14-4,13 % per annum and have the repayment dates from 31 December 2025 to 30 June 2026 (2022: 31 December 2023 to 30 June 2026).

In current challenging geopolitical circumstances, in accordance with the legislation of the Russian Federation, there are some restrictions on settlements of loans receivable with non-residents of the Russian Federation from certain countries. Such transactions are possible upon receipt of individual permission from the Government Commission for control over foreign investments in the Russian Federation, and the Group plans to obtain such approval to make necessary payments.

Modification of loans maturity dates had no material impact on the fair value of the loans.

**15. RELATED PARTY TRANSACTIONS (CONTINUED)****(iv) Receivables from subsidiary companies**

	<u>2023</u>	<u>2022</u>
	RUB'000	RUB'000
On 1 January	156 073	160 077
Transfers of funds under reimbursement agreements	5 761	13 276
Write-off of receivables	(617)	-
(Impairment)/reversal of impairment for receivables	(1 112)	(2 834)
Gain from the sale of investments	-	110
Foreign exchange losses	49 846	(14 556)
At the end of the period (Note 10)	<u>209 951</u>	<u>156 073</u>

**(v) Borrowings from subsidiary company**

	<u>2023</u>	<u>2022</u>
	RUB'000	RUB'000
On 1 January	2 763 534	-
Borrowings received upon purchase of subsidiary	-	2 635 361
Interest accrued	157 920	128 173
Borrowings repaid during the period	(226 534)	-
At the end of the period (Note 14)	<u>2 694 919</u>	<u>2 763 534</u>

**(vi) Cash and cash equivalents in banks – other related parties**

	<u>2023</u>	<u>2022</u>
	RUB'000	RUB'000
On 1 January	183 441	200 311
Receipt to the account	9 950	-
Transfer to the cash account from the deposit	150 850	41 000
Interest income on deposits	9 495	19 535
Withdrawal of funds from the deposit	(150 850)	(41 000)
Payments from the cash account	(167 123)	(33 729)
Other expenses	(1 935)	(2 676)
At the end of the period	<u>33 828</u>	<u>183 441</u>

**(vii) Management services provided by the subsidiary company**

Management services provided by the subsidiary of the Company, JSC GK Etalon:

	<u>2023</u>	<u>2022</u>
	RUB'000	RUB'000
On 1 January	5 370	-
Management services - accrued expenses (Note 5)	50 075	71 229
Management services - payments to related parties	(55 345)	(65 859)
At the end of the period (Note 13)	<u>100</u>	<u>5 370</u>

**16. CAPITAL COMMITMENTS**

As at 31 December 2023, the Company had no capital commitments (31 December 2022: nil).

At the reporting date the Company has contractual commitments to provide loans in the remaining amount of RUB 162 million to subsidiary company JSC GK Etalon (31 December 2022: RUB 162 million).

**17. CONTINGENTS**

**Litigation**

During the year ended 31 December 2023 and 2022, the Company was not involved in court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

**Guarantees**

As at 31 December 2023, the Company provided no financial guarantees to the related parties (as at 31 December 2022: no financial guarantees). As at 31 December 2023, no provision for guaranties was recognized (as at 31 December 2022: no provision was recognized).

**18. EVENTS SUBSEQUENT TO THE REPORTING DATE**

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements for the year ended 31 December 2023.